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Alberta Gaming

Annual Report
2000 – 2001

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Public Accounts 2000 – 2001

Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 18 Ministries.

The annual report of the Government of Alberta released June 2001 contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

On March 15, 2001, the government announced new ministry structures. Since the 2000 – 2001 fiscal year was substantially completed prior to this announcement, ministry annual reports and financial statements have been prepared as if the restructuring took place on April 1, 2001, to provide proper accountability for the 2000 – 01 fiscal year against the original business plan.

This annual report of the Ministry of Gaming contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Gaming, regulated funds, provincial agencies and Crown-controlled corporations for which the Minister is responsible, and**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.**

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Minister's Accountability Statement

The Ministry's Annual Report for the year ended March 31, 2001, was prepared under my direction in accordance with the Government Accountability Act and the government's accounting policies. All of the government's policy decisions as at September 7, 2001, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Ron Stevens, QC
Minister

Message from the Minister

The Ministry of Gaming is committed to finding a balance between the needs of a growing and maturing gaming industry and the government's responsibility to assess and balance the social and economic costs and benefits of gaming. We have taken many positive steps this year in pursuit of this goal.

A significant agreement was reached with Alberta's First Nations in the development of the First Nations Gaming Policy. This policy provides for the establishment of on-reserve casinos and will provide Alberta's First Nations people with access to charitable gaming, as well as direct economic and social benefits. This policy also represents the first major economic agreement reached collectively by First Nations and government at the provincial or federal level.

The ongoing Gaming Licensing Policy Review is another example of our commitment to public consultation. The policies that will be developed as a result of the licensing policy review will guide the gaming industry into the future with an emphasis on responsible practices. We believe the consultation process during the policy review will further strengthen our relationship with our stakeholders and partners.

The Ministry also supports research related to gaming in the province. In this regard, the Alberta Gaming Research Institute has initiated several research projects and more will be initiated in the next fiscal year. In addition, the Institute is undertaking an important literature review. We look forward to sharing the results of these and other undertakings by the Institute, which is beginning to establish itself as a "centre of excellence" in gaming-related research.

Alberta's privatized liquor industry continues to lead the nation with some of the best prices in the country, a high level of customer service, and a wide selection of products. We will continue to work with our industry partners to ensure that Alberta's liquor industry remains among the most progressive and competitive in the country.

I am proud of the groundwork we are laying to further develop socially responsible and economically viable gaming and liquor industries in Alberta. We are preparing to meet the challenges of the future with energy and focus, and by continuing to ensure integrity, transparency, disclosure, public consultation and accountability in all aspects of the gaming and liquor industries in Alberta.

Ron Stevens, QC
Minister

Management's Responsibility for Reporting

The Ministry of Gaming includes the Department of Gaming, the Alberta Gaming and Liquor Commission, the Alberta Gaming Research Council, and the Community Lottery Program Secretariat. The Ministry is also responsible for the *Racing Corporation Act.*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Gaming. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control, which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Gaming any information needed to fulfil their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act.*

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

Norman C. Peterson,
Deputy Minister
Ministry of Gaming

ORGANIZATION CHART

*The Community Lottery Program Secretariat was discontinued as part of the reorganization following the March 12, 2001 provincial election.

Ministry of Gaming

The Ministry of Gaming is responsible for the Department of Gaming, the Alberta Gaming and Liquor Commission, the Alberta Gaming Research Council, the Community Lottery Program Secretariat and the *Racing Corporation Act.*

Department of Gaming

The department's responsibilities include overall business management and policy support for gaming activities in the province, communications and lottery funding programs

Contact: Norman C. Peterson, Deputy Minister
Phone: (780) 447-8601
Fax: (780) 447-8950
E-mail: norm.peterson@aglc.gov.ab.ca

Business Management and Policy

Contact: Gerry Brygidyr, Director
Phone: (780) 447-8969
Fax: (780) 447-8933
E-mail: gerry.brygidyr@aglc.gov.ab.ca

The Business Management and Policy branch provides gaming policy support and is responsible for the Ministry business plan, budget and the financial and administrative needs of the department. The branch also provides administrative support to the Alberta Gaming Research Council.

Communications

Contact: George Rodziewicz, Acting Director
Phone: (780) 447-8719
Fax: (780) 447-8931
E-mail: george.rodziewicz@aglc.gov.ab.ca

The Communications branch supports the Ministry and the department in media relations, writing and editing, issues management and coordinates external communications.

Lottery Funding Programs

Contact: Carl Royan, Director
Phone: (780) 447-8810
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E-mail: carl.royan@aglc.gov.ab.ca

The Lottery Funding Programs branch is responsible for lottery funded programs administered by Alberta Gaming, including the Community Lottery Board Grant Program and the Community Facility Enhancement Program.

The Community Lottery Board Grant Program promotes the development of Alberta's communities and increases the capacity of community organizations. It provides financial assistance for the arts, recreation, sport and other community-based projects and initiatives to enhance the quality of life. The 88 Community Lottery Boards in Alberta are locally administered and made up of community representatives publicly recruited and appointed by nominating committees in their region.

The Community Facility Enhancement Program provides financial assistance to build, purchase, repair, renovate or upgrade public-use facilities in Alberta communities. The program is successful because of its grassroots, needs-driven partnership approach to funding.

The branch also coordinates Alberta Lottery Fund initiatives and program reporting. The Alberta Lottery Fund supports over 8,000 projects annually, including agricultural and economic initiatives, major Alberta exhibitions such as the Calgary Exhibition and Stampede and Edmonton Northlands, and regional exhibitions in Camrose, Grande Prairie, Lethbridge, Lloydminster, Medicine Hat, Olds and Red Deer.

"The myriad of charity and not-for-profit community services in Alberta provided by gaming funds is second to none."

— Edmonton Journal, December 20, 2000

Alberta Gaming and Liquor Commission

Contact: Norman C. Peterson, Chairman and Chief Executive Officer
Phone: (780) 447-8601
Fax: (780) 447-8950
E-mail: norm.peterson@aglc.gov.ab.ca

The Alberta Gaming and Liquor Commission (AGLC), an agent of the Government of Alberta, consists of a Board and a Corporation. The Corporation acts as the operational arm of the organization, while the Board is responsible for policy and regulatory matters. The AGLC operates under the *Gaming and Liquor Act*. The mission of the Commission is to ensure the integrity of gaming and liquor activities in Alberta and collect revenues for the province. The AGLC administers the Alberta Lottery Fund under the provisions of the *Gaming and Liquor Act*.

Did you know: *Alberta's unique privatized liquor industry, which offers competitive prices, a high level of customer service and a vast selection of products keeps Alberta among the most progressive liquor industries in Canada.*

"Alberta is known as a leader in addictions counselling for gambling, alcohol and drug dependencies. According to the Canada West Foundation (1997) 'Alberta provides more funding for problem gambling treatment and prevention programs than any other province'."

— KPMG Study, "Alberta Gaming — A Balanced Perspective." 1998

Alberta Gaming Research Council

Contact: Sheila Murphy
Phone: (780) 447-8709
Fax: (403) 220-1528

The Alberta Gaming Research Council was established by Ministerial Order on August 24, 1999, to help direct the research activities of the Alberta Gaming Research Institute. The Institute is an independent consortium of the Universities of Alberta, Calgary and Lethbridge that conducts research into the social and economic aspects of gaming.

The fourteen-member council was appointed for a three-year term and is made up of public and government representatives. The Council includes representatives from the gaming industry, the aboriginal community, youth, seniors, law enforcement, the Alberta Alcohol and Drug Abuse Commission (AADAC), Alberta Gaming, and Alberta Health and Wellness.

The members of the Council are:

- Sheila Murphy (Chair)
- Evert Koeller (Vice-Chair)
- Dr. Keith Archer (University of Calgary)
- Gus Barron (Community)
- Gerry Brygidyr (Gaming)
- Art Dyer (AADAC)
- Victor Justik (Canadian Foundation on Compulsive Gambling)
- Nick Kutash (Senior)
- Robert Lloyd (Attorney)
- Andrew Mah (Youth)
- Sgt. Bob McDonald (Police)
- Barry Pritchard (Industry)
- Alice Reid (Aboriginal)
- Alexander Smoliak (Health)

Community Lottery Program Secretariat

50 Corriveau Avenue
St. Albert, AB T8N 3T5

The Community Lottery Program Secretariat was initially responsible for the implementation and evaluation of the Community Lottery Board Grant Program across the province. The Secretariat was chaired by Judy Gordon, MLA, Lacombe-Stettler, and reported directly to the Minister of Gaming from May 25, 1999 until it was discontinued as part of the reorganization following the March 12, 2001 provincial election.

Racing Corporation Act

The Ministry of Gaming is also responsible for racing legislation in Alberta. The *Racing Corporation Act* places the responsibility for management and regulation of the horse racing industry in Alberta on the Alberta Racing Corporation (ARC), in partnership with industry stakeholders. A private, not-for-profit agency, the ARC:

- governs, directs, controls, regulates, manages, markets and promotes all forms of horse racing in Alberta;
- protects the health, safety and welfare of racehorses and, respecting horse racing, the safety and welfare of racing participants and racing officials; and
- safeguards the interests of the public in horse racing.

Racing Appeal Tribunal

The Racing Appeal Tribunal operates independently from the Alberta Racing Corporation (ARC), hearing appeals on the ARC's rulings.

Members of the Tribunal are Gary Belecki (Chair), Don Hamilton, and Peter Sebzda.

Operational Overview

The vision of Alberta Gaming is to support the responsible use and enjoyment of gaming and liquor products, use revenue derived from these activities for the benefit of all Albertans, and encourage service and competition in Alberta's liquor and gaming industries. Our mission is to ensure integrity, transparency, disclosure, public consultation and accountability in Alberta's gaming and liquor industries.

Alberta Gaming supported the following four core businesses in its 2000 – 2003 business plan:

Did you know: *Each year the Alberta Lottery Fund supports more than 8,000 charitable, not-for-profit, public and community-based initiatives.*

1. **Administer the Alberta Lottery Fund and coordinate plans with all ministries.**

   The Alberta Lotteries and Gaming Summit '98 recommended, "that gaming and lottery profits not be directed to the province's General Revenue Fund." All provincial government gaming revenue is directed to the Alberta Lottery Fund and identified for use in specific charitable, not-for-profit, public and community-based initiatives. Alberta Lottery Fund expenditures are approved by the Legislature and the programs and projects are administered by the relevant ministries.

2. **License, regulate and monitor liquor and gaming activities, as well as certain aspects of tobacco sales.**

   The Alberta Gaming and Liquor Commission and its Board are responsible to the Minister of Gaming. The AGLC licenses, regulates and monitors all liquor and gaming in the province. The AGLC also conducts and manages provincial lotteries and, as an agent of Alberta Revenue, enforces certain aspects of the *Tobacco Tax Act* including the illegal sale and smuggling of tobacco products. The AGLC carries out this mandate by defining operating policies and procedures for gaming and liquor activities, and by working with customers and stakeholders to ensure requirements are communicated on a timely basis.

3. **Implement and account for specific lottery-funded programs administered by Gaming.**

   The Ministry of Gaming delivers the Community Lottery Board Grant (CLB) Program and the Community Facility Enhancement Program (CFEP). The CLB program provides grant funds to enrich and enhance project-based initiatives in community services, recreation, culture, libraries, parks, health, education, social services and the environment. CFEP provides Albertans with access to a matching grant program that is responsive to their facility development needs.

   In addition, the Ministry administers lottery-funded support to major fairs and exhibitions, and the Alberta Gaming Research Institute.

4. **Develop and communicate provincial gaming and liquor policy.**

   The Ministry has the lead role in the development of gaming and liquor policy in Alberta, including legislation related to gaming and liquor activities (apart from the *Criminal Code of Canada*). Creation of the Gaming ministry amalgamated existing regulatory and program service activities previously conducted by other ministries, and established an organizational capacity to specifically address gaming policies and emerging issues. The Ministry is committed to developing policy that strikes a balance between choice and responsibility in gaming and liquor activities.

"Alberta is a leader in industry privatization."

— Comment from Alberta liquor industry stakeholder survey, April 2001

These core businesses, along with our mission and vision, are reflected in our key achievements and activities for 2000 – 2001.

Key Achievements and Activities

Government Response to Bingo Review Committee Recommendations

The Ministry of Gaming, in support of the 1999 report prepared by the Bingo Review Committee, has accepted or accepted in principle the majority of the recommendations made by the Bingo Review Committee. As a result of accepting the recommendations, new licensing criteria and revenue pooling for bingo associations have been developed by the Alberta Gaming and Liquor Commission (AGLC). A credit system policy has been developed that will allow bingo volunteers to receive a discount towards their child's registration in community activities, and a bingo advisory group has been formed to assist in addressing future industry issues and challenges.

These and the other changes recommended by the Bingo Review Committee will benefit bingo halls, players, and the charitable and not-for-profit organizations for whom bingo is an important fundraiser. Consistent with the Ministry's mission and mandate, many of the committee's recommendations are intended to return more revenue to charities and promote fiscal responsibility of these charities.

First Nations Gaming Policy

As part of the Ministry's on-going Gaming Licensing Policy Review, the Government approved a new First Nations Gaming Policy on January 19, 2001. The result of significant discussion and dialogue between the government and First Nations, this new policy provides First Nations with the terms and conditions under which any proposed First Nations on-reserve casino would operate.

"Alberta's native gaming policy is on the right track. The provincial government and native leaders should be commended for their hard work, innovation and compromise in reaching the deal."

— Edmonton Journal, December 22, 2000

This policy is consistent with the government's ongoing commitment to increase opportunities for Aboriginal people to participate in Alberta's economy. By allowing the establishment of on-reserve casinos, immediate and direct economic and social benefits will be provided for First Nations people.

The development of the First Nations Gaming Policy is, in many ways, ground-breaking. It represents the first major economic agreement secured collectively by First Nations, with either the provincial or federal government. It is consistent with the government's Aboriginal Policy Framework, meets the needs of the First Nations community and adheres closely to Alberta's unique charitable gaming model.

Gaming Licensing Policy Review Continues

The Gaming Licensing Policy Review, begun in February 2000, is already generating positive results, evidenced by the First Nations Gaming Policy. Initiated to assess current licensing policies and processes, and address future changes and growth in Alberta's gaming industry, the Gaming Licensing Policy Review is scheduled to be completed in the fall of 2001.

The Alberta Gaming and Liquor Commission has consulted with the public and with stakeholders from the gaming industry, municipalities, First Nations and charitable organizations during the review, with specific focus on casinos, new games and new gaming environments. Until the review is completed, no new licences or approvals will be granted for casinos, new games or new gaming environments.

Did you know: *The Gaming Licensing Policy Review has involved the participation of many stakeholders, including the public, the gaming industry, municipalities, first nations and charitable organizations.*

Alberta Lottery Fund

The Alberta Lottery Fund is the government's portion of revenue from video lottery terminals (VLTs), slot machines and ticket lotteries. It is administered by the Alberta Gaming and Liquor Commission (AGLC) and supports over 8,000 community initiatives annually.

All lottery dollars are used to support community and not-for-profit initiatives, including specific broad-based government initiatives that benefit Alberta communities.

In response to recommendations from the Alberta Lotteries and Gaming Summit '98, the Ministry unveiled a new logo for the Alberta Lottery Fund in April 2000.

The new logo will be used to identify programs and projects supported by the Alberta Lottery Fund and, in this regard, help Albertans recognize how their communities benefit from the re-investment of gaming revenues.

The higher profile now afforded to the Alberta Lottery Fund is consistent with the Ministry's commitment to accountability and full disclosure regarding gaming activity and the distribution of gaming revenues in this province. For more information on the Alberta Lottery Fund, see the Alberta Gaming website at **www.gaming.gov.ab.ca**.

Did you know: *Foundations and grant programs received $127.9 million from the Alberta Lottery Fund in 2000 – 2001.*

Alberta Gaming Research Institute Activities

In its first year of operation, the Alberta Gaming Research Institute (AGRI) presented and received approval from the Gaming Research Council for a three-year business plan. Research into the social and economic aspects of gaming in Alberta are set out in the business plan.

The AGRI has also initiated a literature review into the four broad gambling domains. These are: bio-psychological and health care, including new developments in the prevention and treatment of problem gambling; government and industry policy and practice; and the socio-cultural as well as economic impacts of lotteries and gaming. Several research projects are currently underway, each addressing one or more of the above domains. The Alberta Gaming Research Council will monitor the status and progress of these projects which include measuring the extent of problem gambling in Alberta, evaluating a low-cost, easily-accessed relapse prevention approach for problem gamblers and developing, implementing and evaluating a program to prevent pathological gambling, to be tested at two Alberta high schools.

The AGRI supports and promotes research into gaming and gambling in Alberta and is funded entirely by the Alberta Lottery Fund. The Institute was established in 1999 in response to recommendations from the Alberta Lotteries and Gaming Summit '98.

Casino Voluntary Self-Exclusion and Deal Us In Programs

"It's (the Casino Voluntary Self-Exclusion Program) viewed as a positive step in fighting gambling addiction, particularly if it's accompanied by counseling or treatment."

— Edmonton Journal, December 30, 2000

The AGLC, along with the Alberta Alcohol and Drug Abuse Commission (AADAC) and the gaming industry, has developed a new program to assist problem gamblers. The Casino Voluntary Self-Exclusion Program is designed for those who feel it is in their best interest not to participate in casino gaming activities. By submitting an application to the AGLC, participants can voluntarily agree to be excluded from entering all Alberta casinos for a specified time period. More than 160 Albertans have participated in the Casino Voluntary Self-Exclusion Program in this, its first year of operation. The program builds on the success of individual "in-house" self-exclusion programs previously offered by some Alberta casinos, by ensuring consistency and province-wide delivery.

"I think it's an excellent tool to help the problem gambler. Rather than being reactive, it's a proactive type of program."

— Calgary Herald, referring to the problem gambling awareness program for video lottery retailer and casino staff, August 30, 2000

The Casino Voluntary Self-Exclusion Program complements the *Deal Us In* program also developed by the AGLC, AADAC and the gaming industry. This program helps staff of casinos and licensed premises with video lottery terminals to recognize and identify potential problem gamblers, and to refer them to programs and services offered through AADAC. As of March 31, 2001, staff from 430 gaming establishments have received training through the *Deal Us In* program.

Alberta Signs New Agreement with the Western Canada Lottery Corporation

Along with the governments of Saskatchewan and Manitoba, the Alberta Gaming and Liquor Commission (AGLC), on behalf of the Government of Alberta, signed a new agreement with the Western Canada Lottery Corporation (WCLC).

Not only does this agreement allow Alberta to continue a valuable partnership with other prairie provinces and territories that deliver quality lottery ticket products, but the provisions of this agreement will result in cost savings of approximately $2.2 million per year to the AGLC. These savings will be realized through decreased operating expenditures for AGLC and are the result of a WCLC proposal that recognizes Alberta's substantial contributions to that organization.

The WCLC manages and operates ticket lotteries for the prairie provinces, as well as for the Yukon, Northwest Territories, and Nunavut. In 2000 – 2001, lottery ticket sales for the WCLC totaled $693 million. Ticket sales in Alberta were $394 million for the same period, resulting in $161 million in revenue to the Alberta Lottery Fund.

"Over 87% of Albertans have participated in some form of gambling in the last year, and nearly 50% of Canadians have bought a lottery ticket."

— AADAC, "Adult Gambling and Problem Gambling in Alberta, 1998, and Canada West Foundation, "Canadian Gambling Behavior and Attitudes," 2000

Did you know: *Returns to charities holding casinos have more than tripled since 1996 – 1997, from $27.8 million to an estimated $86.8 million in 2000 – 2001.*

New Agreement signed with Racing Entertainment Centres

Inconsistencies identified by the Auditor General in 1999 regarding the manner in which funds had been provided to the horse racing industry have been addressed through new agreements. These agreements provide funding to assist with live horse racing operations and capital development, and with purse enhancements.

Under the terms of the 1996 Racing Industry Renewal Initiative (RIRI), revenue from slot machines at racing entertainment centres (RECs) was to be distributed equally among the RECs, the Alberta Racing Corporation and the Alberta Lottery Fund. However, legislation requires that funding taken from slot machines proceeds beyond a 15% commission to operators must be identified in the Alberta Lottery Fund budget, and debated and voted on by the Alberta Legislature.

As a result, new agreements signed with the horse racing industry will maintain the allocation of slot machine revenue as outlined in the 1996 RIRI, but funding to the horse racing industry will now be allocated through the Alberta Lottery Fund, as required by legislation.

On March 30, 2001, at the request of the Government of Alberta, the horse racing industry began working to develop recommendations on its long-term viability. The review is being led by the Alberta Racing

Corporation and the Department of Agriculture, Food and Rural Development. Recommendations are expected to be submitted to the government in the fall of 2001.

Alberta Gaming and the Alberta Gaming and Liquor Commission (AGLC) Websites

Alberta Gaming is committed to keeping Albertans informed about the policies and regulations governing the province's gaming and liquor industries, and funding provided to community and non-profit initiatives through the Alberta Lottery Fund. The Alberta Gaming website (**www.gaming.gov.ab.ca**) and the AGLC website (**www.aglc.gov.ab.ca**) are key to this endeavour, and the enhancements made to these sites in 2000 – 2001 make them even more effective as communication tools.

The AGLC website now provides information packages and application forms for casino, raffle, bingo and pull ticket licences, and for the Casino Voluntary Self-Exclusion Program. A listing of all AGLC policy handbooks is also available on this site, and a new section called "Bingo Bulletins" provides information on bingo policy and regulation changes. A list of all Alberta casino facilities has also been added.

Two important databases have been developed for the websites to provide Albertans with greater access to information which interests them. A "searchable" database has been created for the AGLC website listing AGLC Board decisions and specified penalties related to infractions of the *Gaming and Liquor Act* and Regulations by licensees. Another "searchable" database enables Albertans to find information about local Community Lottery Boards on the Alberta Gaming website, including contact information.

Results Analysis

Message from the Deputy Minister

The 2000 – 2001 fiscal year has been a busy and rewarding year for the Ministry of Gaming. We have continued to work closely with our stakeholders to strike the balance between choice and responsibility that is essential to maintaining healthy gaming and liquor industries in the province. It is my pleasure to highlight some of our key achievements.

The ongoing Gaming Licensing Policy Review has resulted in the development of a unique First Nations Gaming Policy announced on January 19, 2001. The Alberta Gaming and Liquor Commission (AGLC) will administer the policy under which any proposed First Nations casino would operate, similar to existing charitable casino licences. The AGLC will retain its regulatory role and no separate Native gaming authority will be established.

The Ministry has accepted the majority of the recommendations made during a review of Alberta's bingo industry in 1999. Several of these recommendations have already been implemented. The AGLC will continue to work with its stakeholders to ensure the positive direction set by this review is continued.

An important agreement was reached with the Western Canada Lottery Corporation (WCLC) this year, resulting in $2.2 million per year in cost savings to the AGLC. This agreement reflects the size and significance of Alberta's ticket lottery operations and its contributions to the WCLC.

In addition, new agreements were signed with Alberta's Racing Entertainment Centres (RECs) with regard to the operation of slot machines. RECs were established as part of the Racing Industry Renewal Initiative to assist the horse racing industry to maintain and enhance live horse racing in the province. RECs offer slot machines and electronic horse race games, in addition to live and simulcast racing.

The Racing Appeal Tribunal continues to play an important part in the racing industry. Members of the Racing Appeal Tribunal are Don Hamilton, Peter Sebzda, and Gary Belecki as Chair. The Racing Appeal Tribunal operates independently from the Alberta Racing Corporation (ARC), hearing appeals on the ARC's rulings. In doing so, the best interests of the racing industry are ensured.

The Casino Voluntary Self-Exclusion Program, developed by the AGLC, Alberta Alcohol and Drug Abuse Commission (AADAC) and industry partners, has been successfully implemented, complementing the *Deal Us In* program initiated in 1999. The self-exclusion program allows individuals concerned about their gaming activities to voluntarily have themselves excluded from the province's casinos for a specified time period. The *Deal Us In* program helps staff of casinos and licensed premises with VLTs to recognize individuals with potential gambling problems, and to refer them to AADAC.

"Gaming also provides alternative forms of entertainment to tourists visiting Alberta. This provides the means for Albertans to capture the entertainment dollars that would be spent on gaming activities in other provinces or the United States."

— KPMG Study, "Alberta Gaming — A Balanced Perspective." 1998

Alberta continues to support a strong and competitive liquor industry, which provides many economic opportunities to the private sector. In fiscal 2001, more than $465 million in government revenue was generated by liquor product sales. The AGLC is committed to working with the liquor and hospitality industries to identify and address issues and concerns. In 2000, the Alberta Liquor Store Association and other stakeholders were consulted about exclusivity and buy-sell agreements. The resulting policy allowing buy-sell agreements reflects both the current business environment in the liquor industry and the industry's desire for regulation. This policy also maintains a level playing field in the liquor industry with rules that are common to all.

The future holds many challenges for Alberta's gaming and liquor industries. We will continue to work in the interests of Albertans to meet the needs of both industries, and to develop policies that balance choice and responsibility.

Our future challenges include:

- ensuring that the appropriate policies and procedures are in place to deal effectively with Alberta's growing and maturing gaming industry by considering and acting on the policy direction arising from the Gaming Licensing Policy Review;
- monitoring and addressing emerging gaming and liquor industry-related issues in a timely and effective manner;
- increasing public awareness of the Alberta Lottery Fund, its sources of revenue and the many public, community-based projects and initiatives it funds;
- increasing the effectiveness of the Alberta Gaming website and the Alberta Gaming and Liquor Commission website as complete and reliable sources of information for the public, and for industry partners and stakeholders; and

- considering and responding to the policy-related research of the Alberta Gaming Research Institute.

I am pleased with our accomplishments in fiscal 2001, and know that we will continue to work hard to meet the challenges ahead. The capable and committed staff of this Ministry are a vital part of our achievements and, with this in mind, the Ministry has expanded its employee recognition program. Long-service awards are presented to staff at two ceremonies each year; safety awareness recognition and perfect attendance awards are also presented. In addition, plans are underway to introduce a new program that will support employees in pursuit of life-long learning goals. Results of an employee survey, undertaken in 2000, show Ministry staff to be a committed work force with high levels of job satisfaction and commitment to customer service — and this shows.

Norman C. Peterson
Deputy Minister

AUDITOR GENERAL
Alberta

Report Of The Auditor General On The Results Of Applying Specified Auditing Procedures To Performance Measures

To the Members of the Legislative Assembly:

I have performed the following procedures in connection with the Ministry of Gaming's performance measures included in the *2000-2001 Annual Report of the Ministry of Gaming* as presented on pages 25 to 36.

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations that converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit of the set of performance measures and therefore I express no opinion on the set of performance measures included in the *2000-2001 Annual Report of the Ministry of Gaming*.

Peter Valentine FCA
Auditor General

Edmonton, Alberta
August 3, 2001

Performance Measures

The Ministry of Gaming performance measures, targets and results for 2000 – 2001 are presented in this section. These measures are derived directly from the Ministry's 2000 – 2003 Business Plan, consistent with the Alberta government's accountability framework.

As an agent of the Government of Alberta, the Alberta Gaming and Liquor Commission works to achieve the vision of the Ministry, namely:

> *"A province that supports the responsible use and enjoyment of gaming and liquor products, uses revenues derived from these activities for the benefit of all Albertans, and encourages service and competition in its liquor and gaming industries."*

The performance measures articulated in the 2000 – 2003 Business Plan of the Alberta Gaming and Liquor Commission (AGLC) are included in this report under Core Business number 2 of the Ministry: License, regulate and monitor liquor and gaming activities, as well as certain aspects of tobacco sales. Additional information about the AGLC and its key activities can be found in the Alberta Gaming and Liquor Commission 2000 – 2001 Annual Report published under separate cover.

Results Achieved

April 1, 2000 – March 31, 2001

The Ministry is committed to providing superior service to its stakeholders and partners and to the public, and carrying out its responsibilities transparently and efficiently. This commitment is evident in the results achieved for the performance measures, the majority of which exceed stated targets.

Core Business #1

Administer the Alberta Lottery Fund and Coordinate Plans with all Ministries

All provincial government gaming revenue is directed to the Alberta Lottery Fund and identified for use in specific charitable, non-profit, public and community-based initiatives. Alberta Lottery Fund expenditures are approved by the Legislature and the programs and projects are administered by the relevant ministries.

The AGLC administers the Alberta Lottery Fund, including the transfer of lottery fund disbursements to other government departments.

Highlights

In 2000 – 2001, the Alberta Lottery Fund supported more than 8,000 community, not-for-profit and public initiatives. In addition, the Alberta Lottery Fund provided funding to the Alberta Alcohol and Drug Abuse Commission and the Alberta Gaming Research Institute to support prevention and treatment programs for alcohol-related and gambling-related problems, as well as research into the social and economic impacts of gaming.

The Ministry's commitment to full public disclosure of lottery-related expenditures was met through debate and votes held in the Alberta Legislature on all Alberta Lottery Fund initiatives. Public disclosure was also facilitated through the Alberta Gaming and Alberta Gaming and Liquor Commission's websites which now include searchable databases.

Goal

To ensure lottery funds support charitable, non-profit, public and community-based initiatives through effective administration of the Alberta Lottery Fund, with full public disclosure of all activities.

Performance Measure

Alberta Lottery Fund disbursements* are committed to supporting charitable, non-profit, public and community-based initiatives.

Target	Result
100% of Lottery Fund disbursements* will support charitable, non-profit, public and community-based initiatives and projects.	100% of Lottery Fund disbursements* in the 2000 – 2001 fiscal year, supported charitable, non-profit, public and community-based initiatives and projects.

*Does not include funds raised by charitable organizations through gaming events.

About the Results

The Alberta Lottery Fund is made up of the government portion of revenues from video lottery terminals, slot machines and ticket lotteries. In accordance with government policy, these funds are used to support foundations and grant programs, and community and non-profit initiatives, including identifiable broad-based government initiatives that benefit Alberta communities.

During the annual business planning and budget process, government ministries identify projects that support charitable, public or community-based initiatives. Funding for these initiatives is debated in the Legislature to ensure full public disclosure and to ensure lottery fund disbursements support charitable, non-profit, public and community-based initiatives. Each ministry receiving lottery fund allocations is responsible for ensuring the funding is properly allocated; ministries can not reallocate lottery funds to other initiatives.

Examples of broad-based government initiatives that were allocated funding from the Alberta Lottery Fund in 2000 – 2001 include:

- Infrastructure projects
- School renewal and construction
- Senior's facility upgrades
- Health facility construction, and
- Strategic research

ALBERTA
LOTTERY FUND

In addition, about 8,000 lottery grants are approved each year through the foundations, agencies and programs. Recipients of these grants include:

- Culture and arts groups
- Libraries and museums
- Sports and athletic events
- Wildlife and conservation projects
- Health and wellness initiatives
- Seniors programs
- Recreation and tourism
- Agricultural fairs and exhibitions

Additional information about lottery fund commitments and grant recipients is available on the Alberta Gaming website at www.gaming.gov.ab.ca.

Core Business #2

License, Regulate and Monitor Liquor and Gaming Activities, as well as Certain Aspects of Tobacco Sales

On behalf of the Ministry of Gaming, the Alberta Gaming and Liquor Commission (AGLC) licenses, regulates and monitors all liquor and gaming in the province. The AGLC also conducts and manages provincial lotteries and, as an agent of Alberta Revenue, enforces certain aspects of the *Tobacco Tax Act* including the illegal sale and smuggling of tobacco products.

The AGLC carries out this mandate by defining operating policies and procedures for gaming and liquor activities, and by working with customers and stakeholders to ensure requirements are communicated on a timely basis.

Goal

The AGLC and its Board carry out their regulatory, program delivery and governance activities in an efficient and transparent manner.

This includes:

- ensuring that the distribution, sale and consumption of liquor products are conducted in accordance with legislation and Board policies;
- ensuring gaming activities are conducted in accordance with legislation and the charitable gaming model;
- ensuring that VLTs, slot machines and ticket lotteries are managed and regulated in accordance with legislation and Board policies; and
- investigating, for Alberta Revenue, the illegal sale and smuggling of tobacco products into the province.

Highlights

Liquor revenue in 2000 – 2001 was more than $465 million. Consultations with liquor industry stakeholders on exclusivity and buy-sell agreements, resulted in policy revisions which reflect the current business environment in the liquor industry, as well as the industry's desire for regulation in this area. Reviews of eligibility criteria and use of proceeds pertaining to charitable gaming licences are currently underway.

Highlights

More than $171 million was returned to charitable and religious organizations in 2000 – 2001 through proceeds from licensed gaming activities, under Alberta's unique charitable gaming model.

License, Regulate and Monitor Liquor Activities and;
Licence, Regulate and Monitor Charitable Gaming Activities

The AGLC licenses, regulates and monitors all liquor and gaming activities in the province according to the *Gaming and Liquor Act* and Regulation, and AGLC policies.

Alberta has adopted the charitable gaming model for casinos, pull tickets, raffles and bingos. These gaming activities only occur when eligible non-profit and charitable organizations apply for and receive licences to conduct gaming activities. Alberta's charitable gaming model requires that proceeds from gaming activities provide a benefit to the community.

Performance Measure

Liquor and gaming activities are conducted in accordance with legislation, regulation and policy. Compliance will be monitored by inspection of liquor and gaming activities.

The targeted compliance rates relate to the first inspections after initial licensing. Following these first inspections, the compliance rate is expected to be 100% in follow-up inspections.

Number of Inspections of Liquor and Gaming Activities Completed
April 1, 2000 – March 31, 2001

Type of Inspection	Number to be completed	Number completed
Liquor	20,000	15,384
Bingos	1,000	1,166
Casinos	1,000	1,668
Pull Tickets	100	244
Raffles	100	213

Compliance Based on First Inspection After Licensing
April 1, 2000 – March 31, 2001

Type of Inspection	Target	Result
Liquor	80%	99.9%
Bingos	90%	99.9%
Casinos	90%	99.9%
Pull Tickets	80%	100%
Raffles	80%	100%

Compliance Based on Follow-up Inspections
April 1, 2000 – March 31, 2001

Type of Inspection	Target	Result
Liquor	100%	98.8%
Bingos	**	**
Casinos	**	**
Pull Tickets	100%	100%
Raffles	100%	99.3%

*** Each bingo and casino event requires a separate licence, and therefore, each inspection is considered a "first" inspection and no follow-up inspections are required.*

About the Results

Number of Inspections Completed

The Alberta Gaming and Liquor Commission (AGLC) conducted more than 18,500 liquor and gaming inspections in 2000 – 2001. The number of gaming inspections exceeded expectations in all categories. Fewer than expected inspections of licensed liquor premises were conducted due to a change in the format and structure of these inspections. A more detailed, thorough inspection is now required. Compliance is monitored by inspection of liquor and charitable gaming activities. Inspections determine whether the licensee adheres to legislation and policies relative to the specific licence. Inspectors complete an inspection report for each inspection. If, as a result of an inspection, there is a violation under the Act, Regulation, or Board Policy, an incident report is generated. Compliance is not met if there is an incident report.

Alberta leads the nation with practical, enforceable clear policies with regards to on site consumption.

Compliance Based on First Inspection After Initial Licensing

Reports generated from the Liquor Management System identify the number of "first" inspections after initial licensing and the number of incident reports. In 2000 – 2001, one incident report was generated from 698 "first" inspections, resulting in 99.9% compliance.

Reports generated from the Gaming Licensing System also identify the number of incident reports resulting from licence inspections. In 2000 – 2001, one incident report was generated from 1,166 "first" inspections of bingo events (99.9% compliance). For casino events, there was one incident report from 1,668 "first" inspections (99.9% compliance). There were no incident reports from 68 "first" inspections of pull-ticket operations (100% compliance), and similarly, there were no incident reports for 62 "first" inspections of raffles (100% compliance).

All compliance targets for first inspections in 2000 – 2001 were exceeded. The AGLC works closely with its industry partners, providing clear operational guidelines, and this contributes to high rates of compliance.

Compliance Based on Follow-up Inspections

Reports generated from the Liquor Management System are used to determine the number of follow-up inspections and the number of incident reports generated from these inspections. In 2000 – 2001, 17 incident reports were generated from 1,463 follow-up inspections, for 98.8 % compliance.

The number of follow-up inspections of pull ticket and raffle licensees is determined from a report of the Gaming Licensing System. In 2000 – 2001, no incident reports were generated in 68 follow-up

inspections of pull ticket licensees for 100% compliance. One incident report was generated in 137 follow-up inspections of raffle licensees, resulting in 99.3% compliance.

Performance Measure

Services provided to liquor retailers and licensed facilities are effective.

Target		Result
• New licences	21 days	100% of licences issued in less than 21 days
• Licensing special events	14 days	93% of special events licensed in 14 days
• Liquor registrations	7 days	100% of liquor registrations issued in 7 days

About the Results

Effective service is measured by means of meeting response time targets to customers. Response times are calculated from the date of receipt of complete documentation to issuance of a licence or registration.

In 2000 – 2001, 1,105 new licences were issued in an average of 4.5 days each, 701 special events licences were issued in an average of 10 days each, and 23 liquor registrations were issued in an average of 4 days each.

Conduct and Manage Provincial Lotteries, and Regulate Electronic Gaming

The AGLC conducts all provincial lottery activities and collects revenue generated by VLTs, slot machines and lottery ticket operations.

Performance Measure

Retailer satisfaction with AGLC services related to VLTs, ticket lottery terminals and slot machines as reported through surveys.

Target	Result
Retailer Satisfaction rating of 80%	Retailer Satisfaction rating of 96%

About the Results

For the purpose of this measure, service is defined as hotline and field services related to VLTs and ticket lottery terminals, and field services related to slot machines. Telephone interviews were conducted with VLT operators, lottery ticket retailers and slot machine operators. Satisfaction ratings represent the total per cent of respondents indicating they were very satisfied or somewhat satisfied with the service. The margin of error for satisfaction ratings determined by the survey results is +/– 3.5%, 19 times out of 20.

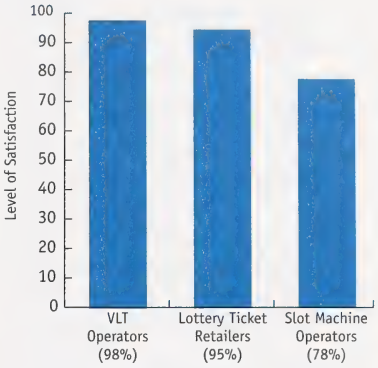
A random sample of 297 of Alberta's 1,176 VLT operators were asked questions regarding their level of satisfaction with the courtesy and knowledge of hotline operators (100% and 99% were satisfied, respectively), instructions or information received (98% were satisfied) and the speed at which calls were answered (95% were satisfied).

Three hundred and twenty-four of 2,010 lottery ticket retailers were asked to rate their level of satisfaction with various aspects of the hotline services they received from the Western Canada Lottery Corporation. Regarding the courtesy of the hotline operator, 96% were satisfied. Ninety-seven per cent of respondents were satisfied with the knowledge of hotline operators and the quality of the instructions or information received. Ninety-three per cent were satisfied with the speed at which calls were answered.

Lottery ticket retailers were also asked to rate their level of satisfaction with the service provided by AGLC field technicians: 96% were satisfied with courtesy of technicians, 93% were satisfied with quality of repairs, and 91% were satisfied with technicians' response time.

All 18 slot machine operators in Alberta were interviewed and rated their level of satisfaction with AGLC field repair technicians (100% were satisfied) and with the quality of the technicians' repairs (84% were satisfied). Operators' satisfaction with field repair services was 78%. The most frequent suggestions cited by slot machine operators for increasing their satisfaction were to add an evening shift, or to have full-time, on-site technicians.

Overall Stakeholder Satisfaction Levels Field Repair Services



Monitor and Enforce Those Sections of the Tobacco Tax Act Related to Illegal Sale and Smuggling

The Alberta Gaming and Liquor Commission has a Memorandum of Understanding with Alberta Revenue to enforce certain aspects of the *Tobacco Tax Act*, particularly relating to the illegal sale and smuggling of tobacco products. The AGLC acts as an agent of Alberta Revenue.

Performance Measure

Tobacco sales will be in accordance with legislation and policies. Compliance will be monitored through inspections of tobacco sales activities (180/yr.)

Target	Result
180 inspections of tobacco sales will be completed. Compliance will be 80%.	484 tobacco sale inspections were completed. Compliance was 96.7%.

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About the Results

Inspections of retail outlets not authorized to sell black stock tobacco product (specially-marked packages for sale on-reserve indicating provincial tax removed) include a review of inventory to ensure the only product on hand is identified as for sale in Alberta. Inspections of retail outlets authorized to sell black stock tobacco include a review of tobacco inventory, sales records and books of account to ensure tax exempt-sale refund claims to the province are in accordance with the legislation.

The number of inspections conducted in 2000 – 2001 is more than double the number targeted, and the compliance rate of 96.7% well exceeds the target of 80%. This excellent compliance rate is mainly attributable to new legislation introduced this year, which included packaging guidelines that readily identified black stock tobacco product. This had the effect of discouraging diversion of black stock tobacco product and consequently reduced the amount of exempt-sale refund claims. As a result the focus switched from time-consuming investigations to more efficient compliance inspections, which allowed more inspections to be completed in the same timeframe.

Core Business #3

Implement and Account for Lottery-funded Programs Administered by Gaming

The Ministry of Gaming delivers the Community Lottery Board Grant (CLB) Program and the Community Facility Enhancement Program (CFEP). The CLB program provides grant funds to enrich and enhance project-based initiatives in community services, recreation, culture, libraries, parks, health, education, social services and the environment. CFEP provides Albertans with access to a matching grant program that is responsive to their community-facility development needs.

In addition, the Ministry administers lottery-funded support to major fairs and exhibitions, and the Alberta Gaming Research Institute.

Goal

Invest Alberta Lottery Fund revenues in programs and projects that support Alberta communities.

Performance Measure

Program administration costs will be kept to a minimum.

Target	Result
Administration costs will be less than two per cent (2%) of program disbursements.	Administration costs: 2000 – 2001 — 1.2% 1999 – 2000 — 1.2% 1998 – 1999 — 1.8%

About the Results

The Ministry is committed to continuing to meet its target of allocating less than 2% of program disbursements to administration.

Lottery Program administration costs represent salaries, benefits, supplies and services costs of the Lottery Funding Program Branch of Alberta Gaming. In 2000 – 2001, these costs were $1,323,000.

Program disbursements represent all disbursements to the Community Facility Enhancement Program, Community Lottery Board Grant Program, major fairs and exhibitions and other initiatives. In 2000 – 2001, these costs were $106,681,000.

Performance Measure

Conduct reviews and audits to ensure that grant funds are expended according to stipulated conditions.

Target	Result
100% compliance with program requirements	100% compliance with program requirements achieved in 2000 – 2001

About the Results

This performance measure is based on the two most significant programs administered by Alberta Gaming—the Community Facility Enhancement Program (CFEP) and the Community Lottery Board (CLB) Grant Program. Together, these programs account for more than 95% of all applications for funding. Reviews and audits are conducted within each program.

The target of 100% compliance with program requirements for Lottery Fund expenditures was met. A very detailed application process, requirements for financial statements for each project funded and a review process which addresses all discrepancies, ensure funding expenditures are appropriate.

During the CFEP review, applications are reviewed to ensure the applicant is properly registered, that the project falls within program parameters and that all necessary support documents are provided.

For the CFEP audit, recipients are required to provide financial accounting statements to Alberta Gaming within two years of the date the cheque was issued. Statements are reviewed and follow-up action is taken on any discrepancies identified.

The CLB review consists of local Community Lottery Board recommendations made after a review of applications to ensure they fall within local priorities and general program parameters established

Highlights

In 2000 – 2001, the CFEP provided $25 million to enhance, expand and upgrade community-use facilities across the province using a grant matching formula.

In 2000 – 2001, $52.5 million in CLB funds were invested to enhance and enrich project-based community initiatives. Distributed by 88 Community Lottery Boards throughout Alberta, these funds provided assistance in areas such as community service, recreation, culture, libraries, parks, health, education and social services. The Ministry also administers Lottery Fund support to major fairs and exhibitions, and the Alberta Gaming Research Institute.

by the provincial government. In addition, the CLB program administration checks each application against program funding criteria.

The CLB audit process requires all grant recipients to provide financial accounting for the project to Alberta Gaming within 90 days of the project completion date. Documentation is reviewed and follow-up action is taken on any discrepancies identified.

Highlights

The Gaming Licensing Policy Review has already resulted in a unique First Nations Gaming Policy. It is the first major economic agreement secured collectively by the First Nations with either the provincial or federal government.

The Alberta Lottery Fund supports the activities of the Alberta Gaming Research Council and the Alberta Gaming Research Institute with $1.5 million provided annually.

Enhancements and regular updates to the Ministry's two websites provide the public with access to gaming and liquor related information.

Core Business #4

Develop and Communicate Provincial Gaming and Liquor Policy

The Ministry has the lead role in the development of gaming and liquor policy in Alberta, including legislation related to gaming and liquor activities. The Ministry is committed to developing policy that strikes a balance between choice and responsibility in gaming and liquor activities.

Goal

Develop and communicate the government's gaming and liquor policies in a public and transparent manner.

Performance Measure

Albertans and stakeholders are satisfied with gaming and liquor policies and activities.

Target	Result
75% of Albertans and stakeholders surveyed are satisfied.	
Per cent of Albertans satisfied with policies and activities:	
Alberta's charitable gaming model	71%
How lottery revenues are used	75%
Liquor policies and activities	83%
Alberta's current liquor retail model	74%
Per cent of stakeholders satisfied with policies and activities:	
Gaming Stakeholders	83%
Liquor Stakeholders	82%

About the Results

Albertans

In an independent public opinion survey Albertans, 18 years of age or older, rated their satisfaction with Alberta's gaming and liquor policies and activities, including the operation of the Alberta Lottery Fund. Seven in 10 Albertans were satisfied with Alberta's charitable model for gaming (76% for Albertans aged 18 – 34) and 75% were satisfied with how lottery revenues are used.

Albertan's average satisfaction rating with various aspects of retail liquor stores (convenience, friendliness of staff, service, selection and price) was 83%. Among the 71% who shopped for liquor, 74% were satisfied with the current retail liquor model.

This survey is considered representative of opinions throughout Alberta and the results can be extrapolated to the entire population. Respondents were considered to be satisfied if they responded that they were "very satisfied" or "somewhat satisfied" or if on a scale of 1 to 10, they responded with a rating of 6 or higher. The average level of satisfaction, which is a composite of the scores for the individual questions, becomes the satisfaction rating for Albertans.

Stakeholders

Gaming stakeholders were consulted during the recent Gaming Licensing Policy Review. Six hundred and two telephone interviews were conducted with a representative sample of charitable organizations throughout Alberta and 300 telephone interviews were conducted with a representative sample of industry workers (workers of casinos or bingo). In addition, a series of focus groups and executive consultations were conducted, obtaining the opinions of gaming stakeholders throughout the province.

The results of these interviews follow:

- 81% of charities and 89% of workers believe access to gaming is well-regulated;
- 81% of charities and 76% of workers believe rules (regulations and policies) have been enforced consistently;
- 4 out of 5 stakeholders believe current rules (regulations and policies) reflect the desires of most Albertans; and
- 9 in 10 stakeholders rate the AGLC fair or better than fair in regulating the industry.

An independent telephone survey of liquor stakeholders representing a broad cross section of the liquor industry was completed in the spring of 2001. Respondents were considered to be satisfied if the response was 6 or above on a scale of 1 to 10.

The average rating of satisfaction with liquor policies and activities among stakeholders was 8 out of 10. The policy for listing products and advertising and product promotion guidelines received the highest ratings and also generated numerous positive comments such as "Alberta's system is the best in the country."

Stakeholders were also asked to rate their level of satisfaction with the AGLC staff and services. They rated the courtesy of employees at 8.9 out of 10, the knowledge of AGLC employees at 8.4 out of 10, and responsiveness to the industry at 7.9 out of 10.

Financial Statements

March 31, 2001

AUDITOR GENERAL *Alberta*

Auditor's Report

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Gaming as at March 31, 2001 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Gaming as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

I also report that, as described in Note 7, the Ministry made certain payments that did not comply with Section 26 of the *Gaming and Liquor Act* and the *Appropriation Act, 2000.*

Peter Valentine FCA
Auditor General

Edmonton, Alberta
May 23, 2001

Ministry of Gaming
Consolidated Statement of Operations
for the year ended March 31, 2001

(thousands of dollars)

	2001		2000
	Budget (Note 9)	Actual	Actual
Revenues			
Net income from commercial operations			
Lottery operations	$ 831,400	$ 987,547	$ 855,779
Liquor operations	457,614	468,388	456,641
Other income	-	12,881	13,242
Investment income	6,100	13,965	8,080
	1,295,114	1,482,781	1,333,742
Expenses -Directly Incurred (Note 2c and Schedule 3)			
Voted (Schedule 1)			
Ministry support services	1,355	1,327	1,413
Gaming research	1,500	1,500	1,500
Lottery funded programs	107,894	108,004	106,350
Financial assistance to the Alberta Gaming and Liquor Commission	72,442	69,878	69,248
Lottery Fund payments to other Ministries	673,467	837,430	703,959
	856,658	1,018,139	882,470
Valuation adjustments			
Provision for vacation pay	-	122	85
Total expenses	856,658	1,018,261	882,555
Net operating results	$ 438,456	$ 464,520	$ 451,187

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Gaming
Consolidated Statement of Financial Position
as at March 31, 2001

(thousands of dollars)

	2001	2000
Assets		
Cash (Note 3)	$ 79,058	$ 78,446
Accounts receivable and accrued interest	250	3
Equity in commercial operations (Note 4)	121,470	141,463
	$ 200,778	$ 219,912
Liabilities		
Accounts payable and accrued liabilities	$ 51,655	$ 46,247
Net assets, beginning of the year	173,665	171,287
Net operating results	464,520	451,187
Net transfer to General Revenues	(489,062)	(448,809)
Net assets, end of year	149,123	173,665
	$ 200,778	$ 219,912

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry of Gaming
Consolidated Statement of Changes in Financial Position for the year ended March 31, 2001

(thousands of dollars)

	2001	2000
Operating transactions		
Net operating results	$ 464,520	$ 451,187
Non-cash items		
Valuation adjustments	122	85
	464,642	451,272
Increase in accounts receivable and accrued interest	(247)	(3)
Increase in accounts payable and accrued liabilities before valuation adjustments	5,286	23,971
Cash provided by operating transactions	469,681	475,240
Investing transactions		
Decrease (Increase) in equity in commercial operations	19,993	(11,352)
Cash provided (used) by investing transactions	19,993	(11,352)
Financing transactions		
Net transfer to General Revenues	(489,062)	(448,809)
Net cash provided	612	15,079
Cash, beginning of year	78,446	63,367
Cash, end of year	$ 79,058	$ 78,446

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements March 31, 2001

Note 1 Authority and Purpose

The Ministry of Gaming (Ministry) operates under the authority of the Government Organization Act, Statutes of Alberta.

To fulfill these responsibilities, the Minister is responsible for the organizations listed in Note 2(a). The authority under which each organization operates is also listed in Note 2(a). Together these organizations form the Ministry of Gaming.

The purpose of the Ministry is to administer the Alberta Lottery Fund; license, regulate and monitor liquor and gaming activities, as well as certain aspects of tobacco sales; implement specific lottery-funded programs and to develop and communicate provincial gaming and liquor policy.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Ministry of Gaming, for which the Minister of Gaming is accountable. Other entities reporting to the Minister are the Department of Gaming, (Government Organization Act), the Lottery Fund, (Interprovincial Lottery Act), and the Alberta Gaming and Liquor Commission, (Gaming and Liquor Act).

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All cash receipts of departments are deposited into the Fund, and all cash disbursements made by departments are paid from the Fund. Net transfer to / from General Revenues is the difference between all cash receipts and all cash disbursements.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Basis of Consolidation

The accounts of the Department and the Lottery Fund have been consolidated. Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between the consolidated organizations were eliminated upon consolidation.

The accounts of the Alberta Gaming and Liquor Commission, which is designated as a commercial enterprise, are reported on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles.

(c) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(c) Basis of Financial Reporting (continued)

Incurred by Others

Services contributed by other entities in support of the Ministry operations are disclosed in schedule 3.

Assets

Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Liabilities

Liabilities represent all financial claims payable by the Ministry at fiscal year end.

Net Assets / Net Liabilities

Net assets / net liabilities represents the difference between the value of assets held by the Ministry and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values.

Note 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. CCITF is being managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term securities. Interest is earned on the Ministry's daily cash balance at the average rate of CCITF earnings, which vary depending on prevailing market interest rates. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

Note 4 Equity in Commercial Operations

Alberta Gaming and Liquor Commission	2001	2000
	(thousands of dollars)	
Equity in commercial operations - beginning of year	$ 141,463	$ 130,111
Total revenue	14,996,014	12,907,126
Total expenses	(13,527,198)	(11,582,235)
Net transfer and other adjustments	(1,488,809)	(1,313,539)
Equity in commercial operations - end of year	$ 121,470	$ 141,463

Note 5 Commitments

As at March 31, 2001, the Ministry has commitments for leased properties ranging from one to thirty two years term. Most of these properties have been subleased to third parties. In addition, the Ministry has commitments for leased vehicles. The aggregate amounts payable for the unexpired terms of these leases are as follows:

	(thousands of dollars)
2001 - 2002	$ 1,807
2002 - 2003	1,606
2003 -2004	1,154
2004 - 2005	1,062
2005 - 2006	1,013
Thereafter	7,459
	$ 14,101

Note 6 Contingencies

At March 31, 2001, the Ministry is a defendant in twelve legal claims (2000 – twelve legal claims). Nine of these claims have a specified amount totaling $140 million and the remaining three have not specified any amount (2000 – ten claims with a specified amount of $73 million and two with no specified amount). Included in this total are two claims amounting to $91 million in which the Ministry has been jointly named with other entities. The resulting loss, if any, from these claims cannot be determined.

Note 7 Racing Industry Renewal Initiative

a) In May 1996, the Government approved a Racing Industry Renewal Initiative. Under this Racing Industry Renewal Initiative, the Government, through the Alberta Gaming and Liquor Commission, committed to assisting in the development of the horse racing industry by allowing electronic gaming activities at racing entertainment centres located at racetracks. The racetrack operators and the Alberta Racing Corporation would each receive, through the Alberta Gaming and Liquor Commission, 33 1/3 percent of the gaming revenues earned at these racing entertainment centres. Racing entertainment centres have been approved at Northlands Park in Edmonton and Whoop-Up Downs in Lethbridge.

The first 33 1/3 percent of gaming revenues are to be used to offset the costs of operating electronic gaming at the racing entertainment centres, the operating costs associated with live horse racing and the capital costs associated with live horse racing. These funds are administered by the racetrack operators. The second 33 1/3 percent of gaming revenues are to be used for the enhancement of race purses. These funds are administered by the Alberta Racing Corporation.

Note 7 Racing Industry Renewal Initiative (continued)

b) On January 1, 1999 the Alberta Gaming and Liquor Commission entered into an agreement with the Calgary Exhibition and Stampede to provide them with up to 33 1/3 percent of revenue from the electronic gaming activities conducted at the Stampede charitable casino. These funds were paid to the Calgary Exhibition and Stampede in return for their commitment to continue live horse racing at Stampede Park to December 31, 2000.

As identified in the Auditor's Report for the Alberta Gaming and Liquor Commission financial statements for the year ended March 31, 2000, the payments to the Racing Entertainment Centres and the Alberta Racing Corporation did not comply with section 26 of the Gaming and Liquor Act; nor with the Appropriation Act, 1999. In response to this finding, on September 12, 2000 new agreements with the Racing Entertainment Centres and the Calgary Exhibition and Stampede were established.

Under the new agreement, the commission paid to the racetrack operators and the Calgary Exhibition and Stampede is set at 15 percent, the same as casino operator commissions. The remainder of the proceeds are deposited to the Alberta Lottery Fund. Any additional payments will be paid from the Alberta Lottery Fund.

Gaming proceeds paid to the racetrack operators, the Calgary Exhibition and Stampede, and the Alberta Racing Corporation under the Racing Industry Renewal Initiative, included in total expenses in Note 4 are as follows:

	Actual 2001*	Actual 2000
Northlands Racing Entertainment Centre		
Northlands Park	$ 2,667	$ 4,765
Alberta Racing Corporation	2,667	4,765
	5,334	9,530
Whoop-Up Downs		
Rocky Mountain Turf Club Inc.	597	1,126
Alberta Racing Corporation	590	1,126
	1,187	2,252
Calgary Exhibition and Stampede	1,359	2,825
	$ 7,880	$ 14,607

*Payments shown for current year are for period April 1 to September 11, 2000.

Note 8 Pensions

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,217,870 for the year ended March 31, 2001 (2000 $1,066,836).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 $517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000 (1999 $33,000).

Note 9 Budget

The budget amounts shown on the Statement of Operations agree with the 2000-2001 Government and Lottery Fund Estimates, and were approved on May 5, 2000.

Note 10 Comparative Figures

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

Note11 Approval of Financial Statements

These consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule 1

Ministry of Gaming
Expenses Detailed by Object
for the year ended March 31, 2001

(thousands of dollars)

	2001		2000
	Budget	Actual	Actual
Voted expenses			
Salaries, wages and employee benefits	$ 1,689	$ 1,442	$ 1,501
Supplies and services	2,289	2,218	2,308
Supplies and services from Support Service Arrangements with Related Parties [(a)]	-	482	227
Grants	852,604	1,013,934	878,369
Financial transactions and other	76	63	65
Total expenses	$ 856,658	$1,018,139	$ 882,470

(a) The Ministry receives financial and administrative services from the Department of Community Development.

Schedule 2

Ministry of Gaming
for the year ended March 31, 2001
Schedule to Financial Statements
Related Party Transactions

(thousands of dollars)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from these statements.

The Ministry had the following transactions with related parties recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2001	2000
Expenses - Directly incurred		
Grants	$ 837,430	$ 703,959
Other services	97	34
	$ 837,527	$ 703,993
Payable to Alberta Treasury	$ 48,063	$ 44,290

The above transactions do not include support service arrangement transactions disclosed in Schedule 1.

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the Statement of Operations and are disclosed in Schedule 3.

	Other Entities	
	2001	2000
Expenses - Incurred by Others		
Accommodation	$ 8	$ 9
Legal Services	174	115
	$ 182	$ 124

Schedule 3

Ministry of Gaming
Schedule to Financial Statements
Allocated Costs
for the year ended March 31, 2001

(thousands of dollars)

	2001					2000
		Expenses - Incurred by Others		Valuation Adjustments		
Program	Expenses [1]	Accommodation	Legal Services	Vacation Pay	Total Expenses	Total Expenses
Ministry Support Services	$ 1,327	$ -	$ 108	$ 14	$ 1,449	1,511
Gaming Research	1,500	-	-	-	1,500	1,500
Lottery Programs	108,004	-	8	-	108,012	106,369
Assistance to the Alberta Gaming and Liquor Commission	69,878	8	58	108	70,052	69,340
Lottery fund payments to other Ministries	837,430	-	-	-	837,430	703,959
	$1,018,139	$ 8	$ 174	$ 122	$ 1,018,443	$ 882,679

[1] Expenses - Directly incurred as per Statement of Operations before valuation adjustments.

AUDITOR GENERAL
Alberta

Auditor's Report

To the Minister of Gaming

I have audited the statement of financial position of the Department of Gaming as at March 31, 2001 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department of Gaming as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine FCA
Auditor General

Edmonton, Alberta
May 23, 2001

Department of Gaming
Statement of Operations
for the year ended March 31, 2001

(thousands of dollars)

	2001		2000
	Budget (Note 4)	Actual	Actual
Revenues (Schedule 1)			
Internal government transfers	$ 621,647	$ 645,302	$ 629,714
Other revenue	-	49	69
	621,647	645,351	629,783
Expenses - Directly Incurred (Note 2b and Schedule 6)			
Voted expenses (Schedules 2 and 3)			
Ministry support services	1,355	1,327	1,413
Gaming Research	1,500	1,500	1,500
Lottery Programs	107,894	108,004	106,350
Assistance to the Alberta Gaming and Liquor Commission	72,442	69,878	69,248
	183,191	180,709	178,511
Valuation adjustments			
Provision for vacation pay	-	122	85
Total expenses	183,191	180,831	178,596
Net operating results	$ 438,456	$ 464,520	$ 451,187

The accompanying notes and schedules are part of these financial statements.

Department of Gaming
Statement of Financial Position
as at March 31, 2001

(thousands of dollars)

	2001	2000
ASSETS		
Cash	$ 4,200	$ -
Accounts receivable (Note 3)	95,712	122,813
	$ 99,912	$ 122,813
LIABILITIES		
Accounts payable and accrued liabilities	$ 3,564	$ 1,923
	3,564	1,923
NET ASSETS		
Net assets at beginning of year	120,890	118,512
Net operating results	464,520	451,187
Net transfer to General Revenues	(489,062)	(448,809)
Net assets at end of year	96,348	120,890
	$ 99,912	$ 122,813

The accompanying notes and schedules are part of these financial statements.

Department of Gaming
Statement of Changes in Financial Position
for the year ended March 31, 2001

(thousands of dollars)

	2001	2000
Operating transactions		
Net operating results	$ 464,520	$ 451,187
Non-cash items		
Valuation adjustments	122	85
	464,642	451,272
Decrease (Increase) in accounts receivable	27,101	(3,795)
Increase in accounts payable and accrued liabilities	1,519	1,332
Cash provided by operating transactions	493,262	448,809
Financing transactions		
Net transfer to General Revenues	(489,062)	(448,809)
Net cash provided	4,200	-
Cash, beginning of year	-	-
Cash, end of year	$ 4,200	$ -

The accompanying notes and schedules are part of these financial statements.

Department of Gaming
Notes to the Financial Statements
March 31, 2001

Note 1 Authority and Purpose

The Department of Gaming (Department) operates under the authority of the Government Organization Act, Statutes of Alberta.

The purpose of the Department is to implement specific lottery-funded programs and to develop and communicate provincial gaming and liquor policy.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Department of Gaming, which is part of the Ministry of Gaming (Ministry) and for which the Minister of Gaming (Minister) is accountable. Other entities reporting to the Minister are the Alberta Gaming and Liquor Commission and The Lottery Fund. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer to General Revenues is the difference between all cash receipts and all cash disbursements made.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by others

Services contributed by other entities in support of the Department operations are disclosed in Schedule 6.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(b) Basis of Financial Reporting (continued)

Liabilities

Liabilities represent all financial claims payable by the Department at fiscal year end.

Net Assets

Net assets represent the difference between the value of assets held by the Department and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book values.

Note 3 Accounts Receivable

	2001			2000
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
	(thousands of dollars)			
Alberta Gaming and Liquor Commission	$ 95,462	$ -	$ 95,462	$ 120,463
Lottery Fund	-	-	-	2,348
Trade	250	-	250	2
	$ 95,712	$ -	$ 95,712	$ 122,813

Accounts receivable are unsecured and non-interest bearing.

Note 4 Budget

The budget amounts, shown on the Statement of Operations, agree with the 2000-2001 Government and Lottery Fund Estimates that were approved under the Appropriation Act on May 5, 2000.

Note 5 Commitments

As at March 31, 2001, the Department has the following commitments for leased vehicles:

	(thousands of dollars)
2001 - 2002	$ 32
2002 - 2003	11
2003 - 2004	7
	$ 50

Note 6 Pensions

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $104,787 for the year ended March 31, 2001 (2000 $70,000).

At December 31, 2000 the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 $517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000 (1999 $33,000).

Note 7 Contingencies

As at March 31, 2001, the Department is a defendant in four legal claims (2000 – three legal claims). Three of these claims have specified amounts totalling $125 million and the remaining claim has no specified amount (2000 – three claims with specific amounts totalling $58 million). The resulting loss, if any, from these claims cannot be determined.

Note 8 Approval of Financial Statements

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule 1

Department of Gaming Revenues for the year ended March 31, 2001

(thousands of dollars)

	2001		2000
	Budget	Actual	Actual
Internal government transfers			
Transfer from the Alberta Gaming and Liquor Commission	$ 457,614	$ 481,269	$ 469,883
Transfer from the Lottery Fund	164,033	164,033	159,831
	621,647	645,302	629,714
Other revenue			
Refunds of expenses	-	49	69
Total revenues	$ 621,647	$ 645,351	$ 629,783

Schedule 2

Department of Gaming
Voted Expenses by Object
for the year ended March 31, 2001

(thousands of dollars)

	2001		2000
	Budget	Actual	Actual
Voted expenses			
Salaries, wages and employee benefits	$ 1,689	$ 1,442	$ 1,501
Supplies and services	2,310	2,217	2,308
Supplies and services from Support Service Arrangements with Related Parties [(a)]	-	482	227
Grants	179,137	176,505	174,410
Financial transactions and other	55	63	65
Total voted expenses	$ 183,191	$ 180,709	$ 178,511

(a) The Department receives financial and administrative services from the department of Community Development

Schedule 3

Department of Gaming
Comparison of Voted Expenses by Element to Authorized Budget for the year ended March 31, 2001

(thousands of dollars)

	Budget	Authorized Supplementary	Authorized Budget	Actual Expense	Unexpended (Over Expended)
Expenses					
Voted Expenses					
1 Ministry support services					
1.0.1 Minister's office	$ 242	$ -	$ 242	$ 253	$ (11)
1.0.2 Deputy Minister's office	240	-	240	212	28
1.0.3 Business Management and Policy	589	-	589	571	18
1.0.4 Communications	284	-	284	291	(7)
	1,355	-	1,355	1,327	28
2 Gaming Research					
2.0.1 Gaming Research Institute					
- operating expense funded by lotteries	1,500	-	1,500	1,500	-
	1,500	-	1,500	1,500	-
3 Lottery Programs					
3.1 Management and Operations					
3.1.1 Lottery Program Administration					
- operating expense funded by lotteries	1,209	-	1,209	1,323	(114)
3.2 Financial Assistance					
3.2.1 Community Lottery Boards					
- operating expense funded by lotteries	53,300	-	53,300	53,292	8
3.2.2 Community Facility Enhancement Program					
- operating expense funded by lotteries	25,000	-	25,000	25,000	-
3.2.3 Major Exhibitions and Fairs					
- operating expense funded by lotteries	2,660	-	2,660	2,660	-
3.2.4 Calgary Exhibition and Stampede					
- operating expense funded by lotteries	7,100	-	7,100	7,100	-
3.2.5 Edmonton Northlands					
- operating expense funded by lotteries	7,100	-	7,100	7,100	-
3.2.6 Calgary Trade and Convention Centre					
- operating expense funded by lotteries	-	-	-	-	-
3.2.7 Other Initiatives					
- operating expense funded by lotteries	11,525	-	11,525	11,529	(4)
	107,894	-	107,894	108,004	(110)
4 Assistance to the Alberta Gaming and Liquor Commission					
4.0.1 Assistance to the Alberta Gaming and Liquor Commission					
Liquor operations	17,803	-	17,803	17,803	-
Lottery operations					
- operating expense funded by lotteries	54,639	-	54,639	52,075	2,564
	72,442	-	72,442	69,878	2,564
Total voted expenses	$ 183,191	$ -	$ 183,191	$ 180,709	$ 2,482
Program Operating expense	$ 19,158	$ -	$ 19,158	$ 19,130	$ 28
Program Operating expense funded by lotteries	164,033	-	164,033	161,579	2,454
	183,191	-	183,191	180,709	2,482
Program capital investment	-	-	-	-	-
Program capital investment funded by lotteries	-	-	-	-	-
	-	-	-	-	-
Total voted expenses	$ 183,191	$ -	$ 183,191	$ 180,709	$ 2,482

Schedule 4

Department of Gaming
Salary and Benefits
for the year ended March 31, 2001

	2001			2000
	Salary [a]	Benefits and Allowances[b]	Total	Total
Senior officials:				
Deputy Minister [c]	$ 159,740	$ 41,222	$ 200,962	$ 183,595
Executives:				
Director - Business Management and Policy	83,034	14,699	97,733	94,517
Director - Lottery Funding Programs	75,260	14,591	89,851	88,496
Director - Communication	72,662	13,377	86,039	81,548

Prepared in accordance with Treasury Board Directive 12/98
The presentation format has changed with prospective application from April 1, 2000. Under the new format the total salary and benefits relating to a position are disclosed. Comparatives have not been restated and show the salary and benefits of the last incumbent at March 31, 2000.

(a) Salary includes regular base pay, achievement bonus awards, and other direct cash remuneration.

(b) Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension plans, health care, life and disability insurance, short and long term disability plans, WCB premiums, professional memberships, tuition fees and vacation payouts.

(c) The incumbent's services are shared with the Alberta Gaming and Liquor Commission which contributes its own share of cost of salary and benefits. Full salary and benefits are disclosed on this schedule and the Alberta Gaming and Liquor Commission reflects their contribution to the cost. Automobile provided, no dollar amount included in benefits and allowance figures.

Schedule 5

Department of Gaming
Related Party Transactions
for the year ended March 31, 2001

(thousands of dollars)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from these statements.

The Department had the following transactions with related parties recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2001	2000	2001	2000
Revenues				
Grants	$ 645,302	$ 629,714	$ -	$ -
Expenses - Directly incurred				
Grants	$ 69,878	$ 69,248	$ -	$ -
Other services	-	-	97	27
	$ 69,878	$ 69,248	$ 97	$ 27
Receivable from	$ 95,462	$ 122,811	$ -	$ -
Payable to	$ -	$ 308	$ -	$ -

The above transactions do not include support service arrangement transactions disclosed in Schedule 2.

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the Statement of Operations.

	Entities in the Ministry		Other Entities [1]	
	2001	2000	2001	2000
Expenses - Incurred by Others				
Accommodation	$ 97	$ 89	$ 8	$ 5
Other services	-	-	108	22
	$ 97	$ 89	$ 116	$ 27

[1] Services provided by other entities are disclosed on Schedule 6.

ALBERTA
LOTTERY FUND

Schedule 6

Department of Gaming
Allocated Costs
for the year ended March 31, 2001

(thousands of dollars)

	2001					2000
		Expenses - Incurred by Others		Valuation Adjustments		
Program	Expenses [1]	Accommodation	Legal Services	Vacation Pay	Total Expenses	Total Expenses
Ministry Support Services	$ 1,327	$ -	$ 108	$ 14	$ 1,449	$ 1,511
Gaming Research	1,500	-	-	-	1,500	1,500
Lottery Programs	108,004	-	-	108	108,112	106,359
Assistance to the AGLC	69,878	8	-	-	69,886	69,253
	$ 180,709	$ 8	$ 108	$ 122	$ 180,947	$ 178,623

[1] Expenses - Directly incurred as per Statement of Operations before valuation adjustments.

AUDITOR GENERAL *Alberta*

Auditor's Report

To the Members of the
Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Alberta Gaming and Liquor Commission as at March 31, 2001 and the statements of net income and cash flow for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I also report that, as described in Note 18, the Commission made payments that did not comply with section 26 of the *Gaming and Liquor Act* and the *Appropriation Act, 2000*.

Peter Valentine FCA
Auditor General

Edmonton, Alberta
May 23, 2001

Alberta Gaming and Liquor Commission
Balance Sheet

(in thousands)

As at March 31, 2001

	March 31, 2001	March 31, 2000
ASSETS		
Current Assets		
Cash (Note 3)	$ 74,570	$ 116,924
Accounts receivable	25,084	17,687
Prepaid expenses and inventories (Note 4)	5,618	5,056
	105,272	139,667
Capital Assets (Note 5)	79,032	67,984
	$ 184,304	$ 207,651
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 56,935	$ 59,964
Due to the Alberta Lottery Fund (Note 7)	26,008	21,000
	82,943	80,964
Due to General Revenues (Note 8)	95,462	120,463
Provision for Loss on Leased Properties	5,899	6,224
	$ 184,304	$ 207,651

The accompanying notes are part of these financial statements.

APPROVED BY MANAGEMENT:

Norman C. Peterson
Chairman and Chief Executive Officer

H. Ronald Crosby, CA
Executive Director, Finance and Administration

ALBERTA
LOTTERY FUND

Alberta Gaming and Liquor Commission
Statement of Net Income

(in thousands)

For the year ended March 31, 2001

	Budget 2001 (Note 9)	Actual 2001	Actual 2000
SALES			
Video lottery terminals	$	$ 8,405,672	$ 7,684,172
Casino gaming and electronic racing terminals		4,842,020	3,545,566
Liquor		1,271,658	1,215,858
Ticket lottery		393,905	379,040
		14,913,255	12,824,636
PRIZES AND COST OF PRODUCT			
Video lottery terminals		7,717,566	7,056,515
Casino gaming and electronic racing terminals		4,467,319	3,275,393
Liquor		803,270	759,988
Ticket lottery		197,554	188,552
		13,185,709	11,280,448
Gross Profit	1,275,900	1,727,546	1,544,188
Commission and Federal Payments (Note 10)	-	(271,611)	(232,539)
Other Income (Note 11)	13,114	12,881	13,242
Operating Grants	72,442	69,878	69,248
Operating Expenses (Note 12)	(72,442)	(69,878)	(69,248)
	$ 1,289,014	$ 1,468,816	$ 1,324,891

Alberta Gaming and Liquor Commission
Statement of Cash Flow

(in thousands)

For the year ended March 31, 2001

	Actual 2001	Actual 2000
CASH FROM OPERATIONS		
Net income for the year	$ 1,468,816	$ 1,324,891
Decrease in provision for loss on leased properties	(325)	(1,059)
Amortization	15,581	17,624
Loss (Gain) on disposal of capital assets	149	(23)
Increase (Decrease) in amount due to General Revenues	1,330	(5,667)
Decrease in pension liability	-	(771)
Net change in non-cash working capital balances	(10,988)	(8,625)
	1,474,563	1,326,370
REMITTANCES TO THE ALBERTA LOTTERY FUND	(982,539)	(845,872)
REMITTANCES TO GENERAL REVENUES	(507,600)	(462,000)
	(15,576)	18,498
CASH USED FOR INVESTMENT		
Purchase of capital assets	(27,379)	(23,740)
Proceeds on disposal of capital assets	601	33
	(26,778)	(23,707)
DECREASE IN CASH	(42,354)	(5,209)
CASH, beginning of year	116,924	122,133
CASH, end of year	$ 74,570	$ 116,924

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 1 AUTHORITY AND PURPOSE

The Alberta Gaming and Liquor Commission (the Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-0.5, Statutes of Alberta 1996.

The Commission conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code of Canada*, and controls, in accordance with legislation, the manufacture, importation, sale and purchase of liquor for the Government of Alberta.

The net proceeds arising from the conduct of authorized ticket lottery, video lottery and casino gaming terminal operations in Alberta are remittable to the Alberta Lottery Fund. The net proceeds of liquor operations and other income are remittable to General Revenues.

The Commission is a Crown agent of the Government of Alberta and as such has a tax-exempt status.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

Joint Venture

Alberta's share of the operations of the Western Canada Lottery Corporation is accounted for as a joint venture using the proportionate consolidation method.

Inventories

Supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

Inventory held on behalf of liquor suppliers or agents, and related duties and taxes, are not recorded in the financial statements.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method at annual rates which will reduce the original cost to estimated residual value over the useful lives of the assets, as follows:

Buildings and leasehold improvements	2.5% or 10% (or lease term)
Gaming systems and equipment	20% or 33 1/3%
Video lottery and casino gaming terminals	14.3%
Furniture and equipment	10% or 20%
Retailer fixtures and signage	20%
Computer software	33 1/3%
Vehicles	20% or 33 1/3%

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 2 (Con't)

Capital assets held for sale are stated at estimated net realizable value.

Write-downs of capital assets to estimated net recoverable amount or to net realizable value are included in accumulated amortization.

Pensions

The Commission participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service related to prior years.

Revenue Recognition

Revenues are recognized on an accrual basis. On-line ticket lottery revenues are recognized at the date of the draw with instant ticket revenues being recognized at the date of sale to retail.

Measurement Uncertainty

Estimates are used when accounting for items and matters such as amortization, allowance for uncollectable accounts receivable, inventory valuation and commitments. Actual results could differ from those estimates.

NOTE 3 CASH

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term securities. The Fund earns interest on its daily cash balance at the average rate of interest earned by the CCITF, which varies depending on prevailing market interest rates. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 PREPAID EXPENSES AND INVENTORIES

	March 31, 2001	March 31, 2000
Gaming parts	$ 3,559	$ 2,878
Prepaid expenses	1,412	1,859
Supplies	647	319
	$ 5,618	$ 5,056

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 5 CAPITAL ASSETS

	March 31, 2001			March 31, 2000
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Land	$ 4,113	$ -	$ 4,113	$ 4,113
Buildings and leasehold improvements	50,262	37,783	12,479	12,714
Gaming systems and equipment	46,803	34,274	12,529	8,978
Casino gaming terminals	62,367	20,572	41,795	29,453
Video lottery terminals	46,358	40,447	5,911	8,976
Furniture and equipment	25,618	24,773	845	1,369
Retailer fixtures and signage	7,176	6,462	714	937
Computer software	4,757	4,643	114	200
Vehicles	1,610	1,096	514	485
Other	72	54	18	759
	$ 249,136	$ 170,104	$79,032	$67,984

NOTE 6 PENSIONS

The Commission participates in the following multi-employer pension plans: the Public Service Pension Plan, the Management Employees Pension Plan, and the Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,113,083 for the year ended March 31, 2001 (2000 - $996,836).

At December 31, 2000, the Management Employees Pension Plan reported an actuarial surplus of $104,658,000 (1999 - $46,019,000) and the Public Service Pension Plan reported an actuarial surplus of $635,290,624 (1999 - $518,047,271). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000 (1999 - $33,000).

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 7 DUE TO THE ALBERTA LOTTERY FUND

This amount represents the portion of the revenues from lottery operations which has not been remitted to the Alberta Lottery Fund.

	Actual 2001	Actual 2000
DUE TO THE ALBERTA LOTTERY FUND, beginning of year	$ 21,000	$ 11,093
REMITTABLE TO THE ALBERTA LOTTERY FUND	987,547	855,779
REMITTANCES TO THE ALBERTA LOTTERY FUND	(982,539)	(845,872)
DUE TO THE ALBERTA LOTTERY FUND, end of year	$ 26,008	$ 21,000

NOTE 8 DUE TO GENERAL REVENUES

Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

	2001	2000
Due to General Revenues, beginning of year	$ 120,463	$ 119,018
Operating grant returned to General Revenues	(1,234)	(7,672)
	119,229	111,346
Net income for the year	1,468,816	1,324,891
Remittable to the Alberta Lottery Fund	(987,547)	(855,779)
Remittances to General Revenues	(507,600)	(462,000)
	(26,331)	7,112
Adjustment for pension liability	-	771
Due to Gaming	-	961
Due to General Revenues from operating grant funds, end of year	2,564	273
	2,564	2,005
Due to General Revenues, end of year	$ 95,462	$ 120,463

NOTE 9 BUDGET

The Commission, in its annual business plan, includes its annual budget on a summarized basis. The summarized budget receives approval by the Minister of Gaming and becomes part of the estimates of the Government. The Government Estimates are approved by the Legislature.

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 10 COMMISSIONS AND FEDERAL PAYMENTS

	Actual 2001	Actual 2000
Commissions		
Video lottery terminals	$ 103,184	$ 94,121
Casino gaming and electronic racing terminals	118,985	92,691
Ticket lottery	26,856	25,995
	249,025	212,807
Federal Tax Expenses (a)		
Video lottery terminals	9,791	8,206
Casino gaming and electronic racing terminals	4,049	3,051
Ticket lottery	3,262	3,199
	17,102	14,456
Payment to Federal Government (b)	5,484	5,276
	$ 271,611	$ 232,539

(a) Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on ticket lottery, video lottery and casino gaming terminal sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

(b) This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta, and is based on current population statistics and its share of ticket lottery sales.

NOTE 11 OTHER INCOME

	Actual 2001	Actual 2000
Licences and permits	$ 5,945	$ 5,604
Interest revenue	3,181	3,983
Liquor levies	1,211	1,195
Miscellaneous	786	(37)
Fines and violations	766	1,387
Premises rental revenue	618	566
Retailer service fees	523	521
Gain on disposal of capital assets	(149)	23
	$ 12,881	$ 13,242

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 12 OPERATING EXPENSES

	Actual 2001	Actual 2000
Salaries and benefits	$ 21,894	$ 19,984
Amortization	15,581	17,624
Data communications	6,580	6,339
Media and media production	5,584	6,492
Equipment and vehicles	5,409	5,415
Ticket printing	5,333	5,251
Property	2,280	1,824
Fees and services	1,769	1,389
Travel and training	1,152	1,136
Stationery and supplies	1,011	994
Freight and product delivery	901	766
Insurance and bank charges	811	733
Leased Gaming Terminals	765	-
Data processing	333	553
Miscellaneous	253	490
Retailer relations	103	89
Product expense	81	72
Presentations and publications	55	122
Overhead and other	(17)	(25)
	$ 69,878	$ 69,248

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 13 COMMITMENTS

The Commission has a number of properties, primarily former retail liquor stores, that operate under lease arrangements with terms ranging from one to thirty-one years. Most of these properties have been subleased to third parties. The Commission remains liable for the leases should the sublessor default on their obligations to the Commission. The Commission's future minimum lease payments under these arrangements, including its proportionate share of the Western Canada Lottery Corporation commitments, is summarized as follows:

Fiscal	2001-02	$ 1,775
	2002-03	1,595
	2003-04	1,147
	2004-05	1,062
	2005-06	1,013
Balance to expiry		7,459
		$ 14,051

Estimated future revenues to be derived from subleases amount to $7.6 million at March 31, 2001. Provision for loss has been made where the payments to be received on the sub-leases are less than the lease payments to be made.

NOTE 14 CONTINGENCIES

At March 31, 2001 the AGLC is a defendant in twelve legal claim (2000 – twelve legal claims). Nine of these claims have specified amounts, and the remaining three have not specified any amount (2000 – ten claims with specified and two with no specified amount). Included in the total claims are two claims in which the AGLC has been jointly named with other entities.

The resulting loss, if any from these claims cannot be determined.

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 15 SALARIES AND BENEFITS

	2001			2000
	Salary (a)	Benefits (b)	Total	Total
Senior Officers				
Chairman and CEO (c)	$ 80	$ -	$ 80	$ 55
Deputy Chairman and CFO	143	8	151	134
Chief Operating Officer (d)	-	-	-	114
Board Members	56	-	56	60
Executives				
Executive Director, Licensing	105	18	123	94
Executive Director, Lottery Services	104	18	122	114
Executive Director, Information Systems	98	15	113	95
Executive Director, Finance and Administration	90	14	104	95

a) Salary includes regular base pay, achievement bonuses for fiscal year 1999/2000 and fiscal year 2000/2001, and lump sum payments.

b) Benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability, professional memberships, tuition and automobile benefits.

c) The Deputy Minister for Gaming also serves as the Chairman and CEO of the Alberta Gaming and Liquor Commission. A portion of the Deputy Minister's salary is allocated to the Alberta Gaming and Liquor Commission, representing the proportionate amount of time the Deputy Minister spends on Commission business.

d) The Chief Operating Officer was transferred to Government Services effective January 1, 2000. The position has not been filled.

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 16 JOINT VENTURE - TICKET LOTTERY OPERATIONS

The joint venture conducted by Western Canada Lottery Corporation was accounted for using the proportionate consolidation method. The Commission has included in its accounts the following aggregate amounts:

	As at March 31,	
	2001	2000
Balance Sheet		
Current assets	$ 31,899	$ 31,746
Capital assets	7,767	5,659
	$ 39,666	$ 37,405
Current liabilities	$ 18,041	$ 16,926
Investment in joint venture	21,625	20,479
	$ 39,666	$ 37,405

	Year ended March 31,	
	2001	2000
Statement of Net Income		
Gross income	$ 160,749	$ 156,018
Expenses	(19,170)	(19,864)
Net income	$ 141,579	$ 136,154
Statement of Cash Flow		
Cash generated from operating activities	$ 142,019	$ 136,994
Cash used by investing activities	$ 3,679	$ 4,346

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 17 SCHEDULE OF ALLOCATED COSTS

The Commission has the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. The amounts are not included in the financial statements.

	2001			2000
	Expenses - Incurred by Others (a)			
	Accommodation Costs (b)	Legal Services (c)	Total Expenses	Total Expenses
Division				
Commission Office	$ -	$ 7.4	$ 7.4	$ 0.3
Corporate Services	8.0	26.1	34.1	21.0
Gaming Products and Services	-	8.0	8.0	9.9
Licensing	-	24.1	24.1	66.6
Investigations	-	0.3	0.3	0.3
	$ 8.0	$ 65.9	$ 73.9	$ 98.1

(a) Costs incurred by Alberta Justice and Alberta Infrastructure on behalf of the Alberta Gaming and Liquor Commission.
(b) Net costs for Accommodation (includes grants in lieu of taxes) in Fort McMurray, Grande Prairie and St. Albert.
(c) Costs for Legal Services allocated on hours of service provided.

NOTE 18 RACING INDUSTRY RENEWAL INITIATIVE

(a) In May 1996, the Government approved a Racing Industry Renewal Initiative. Under this Racing Industry Renewal Initiative, the Government, through the Alberta Gaming and Liquor Commission, committed to assisting in the development of the horse racing industry by allowing electronic gaming activities at racing entertainment centres located at racetracks. The racetrack operators and the Alberta Racing Corporation would each receive, through the Alberta Gaming and Liquor Commission, 33 1/3 percent of the gaming revenues earned at these racing entertainment centres.

Racing entertainment centres have been approved at Northlands Park in Edmonton and Whoop-Up Downs in Lethbridge.

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 18
(Con't)

The first 33 1/3 percent of gaming revenues are to be used to offset the costs of operating electronic gaming at the racing entertainment centres, the operating costs associated with live horse racing and the capital costs associated with live horse racing. These funds are administered by the racetrack operators. The second 33 1/3 percent of gaming revenues are to be used for the enhancement of race purses. These funds are administered by the Alberta Racing Corporation

b) On January 1, 1999 the Alberta Gaming and Liquor Commission entered into an agreement with the Calgary Exhibition and Stampede to provide them with up to 33 1/3 percent of revenue from the electronic gaming activities conducted at the Stampede charitable casino. These funds were paid to the Calgary Exhibition and Stampede in return for their commitment to continue live horse racing at Stampede Park to December 31, 2000.

As identified in the Auditor's Report for the Alberta Gaming and Liquor Commission financial statements for the year ended March 31, 2000, the payments to the Racing Entertainment Centres and the Alberta Racing Corporation did not comply with section 26 of the Gaming and Liquor Act; nor with the Appropriation Act, 1999. In response to this finding, on September 12, 2000 new agreements with the Racing Entertainment Centres and the Calgary Exhibition and Stampede were established.

Under the new agreement, the commission paid to the racetrack operators and the Calgary Exhibition and Stampede is set at 15 percent, the same as casino operator commissions. The remainder of the proceeds are deposited to the Alberta Lottery Fund. Any additional payments will be paid from the Alberta Lottery Fund.

Gaming proceeds paid to the racetrack operators, the Calgary Exhibition and Stampede, and the Alberta Racing Corporation under the Racing Industry Renewal Initiative, included in casino gaming and electronic racing terminal commissions in Note 10 are as follows:

	Actual 2001*	Actual 2000
Northlands Racing Entertainment Centre		
Northlands Park	2,667	$ 4,765
Alberta Racing Corporation	2,667	4,765
	5,334	9,530
Whoop-Up Downs		
Rocky Mountain Turf Club Inc.	597	1,126
Alberta Racing Corporation	590	1,126
	1,187	2,252
Calgary Exhibition and Stampede	1,359	2,825
	$ 7,880	$ 14,607

*Payments shown for current year are for period April 1 to September 11, 2000.

Notes to the Financial Statements

(tabular amounts in thousands)

March 31, 2001

NOTE 19 COMPARATIVE FIGURES

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

AUDITOR GENERAL
Alberta

Auditor's Report

To the Members of the
Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Lottery Fund as at March 31, 2001 and the statement of revenue, expenditure and fund equity for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Lottery Fund as at March 31, 2001 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine FCA
Auditor General

Edmonton, Alberta
May 23, 2001

Balance Sheet

As at March 31, 2001

(thousands of dollars)

	March 31, 2001	March 31, 2000
ASSETS		
Cash (Note 3)	$ 74,858	$78,446
Due from Alberta Gaming and Liquor Commission	26,008	21,000
	$ 100,866	$99,446
LIABILITIES AND FUND EQUITY		
Accounts payable	$ 48,091	$46,671
Fund equity	52,775	52,775
	$ 100,866	$99,446

The accompanying notes are part of these financial statements.

APPROVED BY MANAGEMENT:

Norman C. Peterson
Chairman and Chief Executive Officer
Alberta Gaming and Liquor Commission

H. Ronald Crosby, CA
Executive Director, Finance and Administration
Alberta Gaming and Liquor Commission

Statement of Revenue, Expenditure and Fund Equity

For the Year Ended March 31, 2001

(thousands of dollars)

	2001 Budget (Note 15)	2001 Actual	2000 Actual
Revenue			
Proceeds from lottery operations (Note 4)	$ 831,400	$ 987,547	$ 855,779
Interest	6,100	13,891	7,954
Grant recoveries	-	25	57
	837,500	1,001,463	863,790
Expenditure			
Grants			
Health (Note 5)	248,728	248,728	118,570
Learning (Note 6)	219,300	219,300	154,629
Community and Municipal Development (Note 7)	84,164	84,164	110,364
Alberta Gaming and Liquor Commission - Lottery Operations (Note 8)	55,848	55,848	53,000
Community Lottery Boards (Note 9)	53,300	53,300	50,800
Agriculture and Economic Initiatives (Note 10)	37,062	37,062	68,180
Innovation and Science (Note 11)	32,250	32,250	40,450
Community Facility Enhancement Program (Note 12)	25,000	25,000	25,000
Transportation and Utilities Infrastructure (Note 13)	20,000	20,000	91,700
Other Initiatives	11,525	11,525	3,671
Environment (Note 14)	-	-	34,940
Debt Repayment	50,323	214,286	112,486
	837,500	1,001,463	863,790
Excess of revenue over expenditure for the year	-	-	-
Fund equity at beginning of year	52,775	52,775	52,775
Transfers to General Revenues	-	-	-
Fund equity at end of year	$ 52,775	$ 52,775	$ 52,775

ALBERTA
LOTTERY FUND

Notes to the Financial Statements

March 31, 2001

(tabular amounts in thousands)

NOTE 1 AUTHORITY AND PURPOSE

The Lottery Fund is administered by the Alberta Gaming and Liquor Commission (Commission) under the Gaming and Liquor Act, Chapter G-0.5, Statutes of Alberta 1996. The Lottery Fund receives the proceeds from lottery operations (see Note 4) and makes payments therefrom in the public interest in order to support quality of life, wellness and community involvement.

The Appropriation Act, 2000 authorized grant payments from the Lottery Fund as approved in the 2000-2001 Estimates, and provided for flexibility in the amount applied from the Lottery Fund towards debt repayment/contingency reserve so that the net revenue of the Lottery Fund would be zero at the year ended March 31, 2001.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Grants

Grants are recorded as expenditure when authorized and when all eligibility conditions for the grant have been satisfied.

Cash Flow

A statement of cash flow is not provided as disclosure in these financial statements is considered to be adequate.

NOTE 3 CASH

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term securities. The Fund earns interest on its daily cash balance at the average rate of interest earned by the CCITF, which varies depending on prevailing market interest rates. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 PROCEEDS FROM LOTTERY OPERATIONS

Gross proceeds of provincial lotteries received by the Commission are recorded as revenue of the Fund.

	2001	2000
Gross income from ticket lottery operations	$ 160,749	$ 156,017
Gross income from video lottery operations	575,131	525,330
Gross income from casino gaming terminal operations	251,667	174,432
Proceeds from lottery operations	$ 987,547	$ 855,779

Notes to the Financial Statements

March 31, 2001

(tabular amounts in thousands)

NOTE 5 HEALTH

The following grants were made in support of health and wellness initiatives. Grants were also made to finance the purchase of highly specialized, state-of-the-art hospital equipment and to support services for problem gamblers:

	2001	2000
Construction & upgrading of health facilities	$ 120,000	$ 60,000
Health Authorities Supplemental Capital Equipment Funding	38,207	-
Alberta Alcohol and Drug Abuse Commission	33,320	31,270
Alberta Wellnet	15,000	15,000
Practitioner Services - Alternate Compensation Strategies	10,350	-
Advanced medical equipment	10,000	7,300
Health Innovation Fund	10,000	4,000
Alberta Wellness	4,744	-
Aboriginal Health	3,000	-
Federal Nursing Stations	2,550	-
Fetal alcohol initiative	1,000	1,000
Services to Persons with Developmental Disabilities Foundation	357	-
Permanency Planning for Children in Care	200	-
	$ 248,728	$ 118,570

NOTE 6 LEARNING

Grants made to support education in Alberta comprise:

	2001	2000
School construction and renewal	$ 100,000	$ 100,000
School technology upgrading	60,000	20,000
Infrastructure support	30,000	30,000
Transportation subsidies	20,000	-
Learning television	7,600	3,129
Athletic scholarships	1,700	1,500
	$ 219,300	$ 154,629

Notes to the Financial Statements

March 31, 2001

(tabular amounts in thousands)

NOTE 7 COMMUNITY AND MUNICIPAL DEVELOPMENT

Grants made to support culture and multiculturalism, sports and recreation and municipal initiatives in Alberta comprise:

	2001	2000
Foundation for the Arts	$ 21,104	$ 21,104
Alberta Sport, Recreation, Parks and Wildlife Foundation	14,885	14,885
Municipal 2000 Sponsorship	12,000	10,000
2001 World Championships in Athletics	10,000	19,000
Upgrading seniors' lodges	10,000	10,000
Wild Rose Foundation	6,600	6,600
Historical Resources Foundation	5,913	5,913
Gaming Research Institute	1,500	1,500
Trans Canada Trail	1,100	-
Human Rights, Citizenship & Multiculturalism Education Fund	1,062	1,062
Metis Settlement Governance	-	11,300
Calgary Trade & Convention Centre	-	9,000
	$ 84,164	$ 110,364

NOTE 8 ALBERTA GAMING AND LIQUOR COMMISSION-LOTTERY OPERATIONS

A grant is made to the Alberta Gaming and Liquor Commission to pay for estimated operating costs of lottery operations.

NOTE 9 COMMUNITY LOTTERY BOARDS

Community-based grants made in support of projects that enhance and enrich community initiatives in rural regions, cities, First Nations and Metis Settlements across Alberta and assistance to community lottery boards administration costs:

	2001	2000
Community Lottery Boards	$ 52,500	$ 50,000
Community Lottery Boards Administration	800	800
	$ 53,300	$ 50,800

Notes to the Financial Statements

March 31, 2001

(tabular amounts in thousands)

NOTE 10 AGRICULTURE AND ECONOMIC INITIATIVES

Agricultural grants provide funding to encourage improvement in agriculture, horticulture, and the quality of life in the agricultural community.

Grants to major exhibitions comprise:

	2001	2000
Calgary Exhibition and Stampede Limited	$ 7,100	$ 7,100
Edmonton Northlands	7,100	7,100
Camrose Regional Exhibition and Agricultural Society	380	380
Grande Prairie Regional Agricultural and Exhibition Society	380	380
Lethbridge and District Exhibition	380	380
Lloydminster Agricultural Exhibition Association Limited	380	380
Medicine Hat Exhibition and Stampede Company Limited	380	380
Olds Agricultural Society	380	380
Westerner Exposition Association	380	380
Sub Total	16,860	16,860
Agricultural societies initiatives	11,620	11,620
Agricultural Research Institute	8,582	8,000
Irrigation rehabilitation	-	17,200
Rural development services	-	9,000
Municipal waste water	-	5,000
Kangwon international travel exposition	-	500
	$ 37,062	$ 68,180

NOTE 11 INNOVATION AND SCIENCE

Grants made to support scientific and energy initiatives in Alberta comprise:

	2001	2000
Science strategic research initiatives (2000 includes university research)	$ 17,250	$ 31,500
University research	15,000	-
Energy royalty and related information systems	-	8,200
Science Alberta Foundation	-	750
	$ 32,250	$ 40,450

Notes to the Financial Statements

March 31, 2001

(tabular amounts in thousands)

NOTE 12 COMMUNITY FACILITY ENHANCEMENT PROGRAM

The purpose of the Program is to provide funds on a cost-sharing basis to finance the repair, renovation, upgrading or expansion of community facilities in Alberta.

Grants in the following amounts were made under the program:

	2001	2000
$100,000 and over	$ 10,233	$ 12,066
$50,000 to $99,999	7,245	6,389
Under $50,000	7,522	6,545
	$ 25,000	$ 25,000

NOTE 13 TRANSPORTATION AND UTILITIES INFRASTRUCTURE

Grants in support of transportation and utilities infrastructure include:

	2001	2000
Construction/upgrading of water infrastructure	$ 20,000	$ 20,000
North/south trade corridor highway infrastructure	-	65,000
Deerfoot Trail/96 Avenue NE	-	6,700
	$ 20,000	$ 91,700

NOTE 14 ENVIRONMENT

Grants made to support environmental initiatives in Alberta comprise:

	2001	2000
Fire related reforestation	$ -	$ 17,000
Natural resource service	-	15,000
Water Management and Erosion Control Program	-	2,940
	$ -	$ 34,940

NOTE 15 BUDGET

The 2001 budgeted expenditures were authorized in total by the Appropriation Act, 2000 and the Appropriation (Supplementary Supply) Act, 2000 (No. 2).

NOTE 16 COMPARATIVE FIGURES

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

Alberta Lottery Fund Commitments 2001 – 2002

Alberta's lottery profits are deposited into the Alberta Lottery Fund. Alberta Lottery Fund expenditures are approved annually by the Provincial Legislature.

This fund is used to support over 8,000 worthwhile community initiatives. Hospital equipment purchases, health and wellness programs, education, recreation and cultural initiatives are just some of the ways lottery proceeds are used.

The following is the list of Alberta Lottery Fund estimates for the fiscal year 2001-02.

Agriculture, Food and Rural Development	
Agricultural Initiatives	$ 11,620,000
Children's Services	
Fetal Alcohol Initiative	1,000,000
Permanency Planning for Children in Care	200,000
Community Development	
2001 World Championships in Athletics	10,000,000
Hosting Arctic Winter Games	400,000
Centennial Initiatives	40,600,000
Alberta Foundation for the Arts	21,104,000
Alberta Historical Resources Foundation	5,913,000
Alberta Sport, Recreation, Parks and Wildlife Foundation	15,035,000
Human Rights, Citizenship and Multiculturalism Education Fund	1,062,000
Wild Rose Foundation	6,600,000
First Nations Development Fund	7,830,000
Gaming	
Community Lottery Board Grants	53,300,000
Major Fairs and Exhibitions	2,660,000
Calgary Exhibition and Stampede	7,100,000
Edmonton Northlands	7,100,000
Community Facility Enhancement Program	25,000,000
Alberta Gaming Research Institute	1,500,000
Alberta Gaming Research Council	100,000
Alberta Gaming and Liquor Commission - Lottery Operations	70,689,000
Racing Industry Renewal Initiative	17,900,000
Other Initiatives	11,102,000

ALBERTA
LOTTERY FUND

Health and Wellness	
Alberta Wellnet	13,506,000
Health Innovation Fund	5,000,000
Alberta Alcohol and Drug Abuse Commission	45,699,000
Aboriginal Health Strategies	3,000,000
Alberta Wellness Initiative	1,850,000
Practitioner Services - Alternate Compensation Strategies	12,350,000
Federal Nursing Stations	2,660,000
Infrastructure	
Health Care Facilities	120,000,000
School Facilities	150,000,000
Seniors' Lodges	10,000,000
Post-Secondary Facilities	60,000,000
Centennial Projects	5,000,000
Innovation and Science	
Research Investments Program	23,180,000
Strategic Research Initiatives	9,070,000
Alberta Agricultural Research Institute	8,588,000
Alberta Supernet	50,000,000
Learning	
Achievement Scholarships	3,100,000
Learning Television	8,100,000
School Support - Transportation Subsidies	40,000,000
School Support - High Speed Networking	1,000,000
Municipal Affairs	
Municipal Sponsorship	12,000,000
Transportation	
Water Management Infrastructure	20,000,000
Canada / Alberta Infrastructure Program	50,000,000
Finance	
Transfer for Debt Repayment / Contingency Reserve	44,031,000
	$1,015,949,000

Alphabetical List of Entities' Financial Information in Ministry 2000 – 01 Annual Reports

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Resource Development
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Treasury
Alberta Heritage Foundation for Medical Research Endowment Fund	Treasury
Alberta Heritage Savings Trust Fund	Treasury
Alberta Heritage Scholarship Fund	Treasury
Alberta Heritage Science and Engineering Research Endowment Fund	Treasury
Alberta Historical Resources Foundation, The	Community Development
Alberta Informatics Circle of Research Excellence Inc. (iCORE)	Innovation and Science
Alberta Insurance Council	Treasury
Alberta Municipal Financing Corporation	Treasury
Alberta Opportunity Company	Agriculture, Food and Rural Development
Alberta Pensions Administration Corporation	Treasury
Alberta Petroleum Marketing Commission	Resource Development
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Treasury
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Treasury
Alberta Social Housing Corporation	Community Development
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Treasury
ATB Investment Services Inc.	Treasury
Child and Family Services Authorities:	Children's Services
Awasak Child and Family Services Authority	
Calgary Rocky View Child and Family Services Authority	
Child and Family Services Authority Region 13	
Child and Family Services Authority Region 14	
Diamond Willow Child and Family Services Authority	
Hearthstone Child and Family Services Authority	
Keystone Child and Family Services Authority	
Ma' Mowe Capital Region Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Neegan Awas'sak Child and Family Services Authority	
Ribstone Child and Family Services Authority	
Sakaigun Asky Child and Family Services Authority	
Sakaw-Askiy Child and Family Services Authority	
Silver Birch Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	

Sun Country Child and Family Services Authority	
West Yellowhead Child and Family Services Authority	
Windsong Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Treasury
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Environment	Environment
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Justice	Justice
Department of Learning	Learning
Department of Resource Development	Resource Development
Department of Treasury	Treasury
Environmental Protection and Enhancement Fund	Environment
Gainers Inc.	Treasury
Government House Foundation, The	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Lottery Fund	Gaming
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development	Economic Development
Ministry of Environment	Environment
Ministry of Executive Council	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment	Human Resources and Employment
Ministry of Infrastructure	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations	International and Intergovernmental Relations
Ministry of Justice	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs	Municipal Affairs
Ministry of Resource Development	Resource Development
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environment

Persons with Developmental Disabilities Community Boards	
Calgary Community Board	Health and Wellness
Central Community Board	Health and Wellness
Edmonton Community Board	Health and Wellness
Northeast Community Board	Health and Wellness
Northwest Community Board	Health and Wellness
South Community Board	Health and Wellness
Persons with Developmental Disabilities Foundation	Health and Wellness
Persons with Developmental Disabilities Michener Centre Facility Board	Health and Wellness
Persons with Developmental Disabilities Provincial Board	Health and Wellness
S C Financial Ltd.	Treasury
Supplementary Retirement Plan Reserve Fund	Treasury
Victims of Crime Fund	Justice
Wild Rose Foundation, The	Community Development

Entities not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Treasury
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Treasury
Long-Term Disability Income Continuance Plan — Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan — Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Treasury
Provincial Judges and Masters in Chambers Pension Plan	Treasury
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Treasury
Public Service Pension Plan	Treasury
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account, The	Municipal Affairs
Special Forces Pension Plan	Treasury
Supplementary Retirement Plan for Public Service Managers	Treasury
Universities Academic Pension Plan	Treasury
Workers' Compensation Board	Human Resources and Employment

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